

CASH MANAGEMENT STANDARDS



EMERGING
MARKETS
COALITION



TASK FORCE

Cash (Collecting, Securing & Transporting)
Standard Operating Procedures
Bank Accounts/Relationship
Compliance Reporting
Staffing

Attributions

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Thank you for your time, expertise, and willingness to work on this important topic.

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A. INTRODUCTION

The Emerging Markets Coalition ([EMC](#)) and the National Association of Cannabis Businesses ([NACB](#)) have formed a strategic alliance to develop a National Standard for Cash Management for the cannabis industry. The U.S. legal cannabis market is projected to grow to [\\$35B by 2025](#), yet operations in licensed cannabis businesses are still nearly cash-based.

The new National Standards for Cash Management provides peer and expert reviewed cash management tools and protocols that are essential for cannabis-related businesses to incorporate into their operations to be as efficient and safe as possible in today's regulatory environment, while also preparing to work with financial institutions when current federal legislative, and regulatory barriers are lessened or dropped.

This document is not meant to provide legal or accounting advice – rather to provide industry standards and best practices for prudent cannabis businesses to follow. Please go to your own lawyers, accountants and insurance providers for their counsel specific to your business.

The standards include, but are not limited to best practices in areas such as:

- Personnel background checks, skill set and training requirements
- Cash handling at point of sale, vault and transport
- Security controls for POS end-of-day balancing to sales receipts
- Security controls for cash storage
- Techniques for optimal staff coverage for both customer service and security
- Optimal cash levels in the vault and point-of-sale stations
- Payments to staff, vendors and taxing authorities
- Currency transaction reporting

B. STAFFING

1. Hiring

- A. Compliant businesses will perform background checks and other appropriate due diligence when hiring staff who handle cash. This may be required in order to get employees bonded by an insurance company.
 - a. All employees who will handle cash will be submitted to level 2 background checks with fingerprinting.
- B. Employees with records for theft, fraud, embezzlement, cybercrime, money laundering, terrorist financing, bribery and corruption, insider trading, or any other crime involving theft or deception will not be allowed to handle cash management.
- C. Compliant businesses will not hire employees who have been fired or prosecuted for crimes related to their work in licensed cannabis businesses.
- D. Complaint businesses will also adhere to NACB's other hiring standards including Employment and Diversity/Inclusion in the workplace.

C. CASH (COLLECTING, SECURING, AND TRANSPORTING)

This standard articulates the requirements and guidelines related to cash control and chain of custody for cash. This ~~is~~ is tightly linked with the execution of highly controlled processes designed to maintain the financial integrity of the business and to limit the risk of misappropriation of cash and other monetary instruments. All elements of the standard should, at a minimum, meet all requirements by the businesses' insurance provider, bank, and counsel from their own lawyers and accounting professionals. Each insurance business and state may have different requirements. The following standards are meant to serve as a guide of key areas to consider for safe processing of cash.

1. Physical Security Controls

- a. Roles and responsibilities associated with the job description and hiring and training process will specifically address cash handling to ensure qualified individuals.

2. Cash Handler Credentials

- b. Roles and responsibilities associated with the job description and hiring and training process will specifically address cash handling to ensure qualified individuals.
- c. Training programs should maintain associated documentation for initial, ongoing, and any remedial or disciplinary training regarding cash handling.
- d. Signature records should be created and kept on file for all cash handling employees.

3. Cash Management

- a. Face and bind bills and separate and roll coins as necessary to maintain organization and ability to quickly count.
- b. All staff will be trained to use counterfeit pens, UV lights and physical inspection of bills to confirm authenticity.
- c. Use a cash counting machine with counterfeit detection for large denominations.
- d. All cash counting and verification will take place in areas under security camera control, ideally in a dedicated cash room accompanied by a security guard.

4. Access Control

- a. Face and bind bills and separate and roll coins as necessary to maintain organization and ability to quickly count.
- b. Cash and cash safes/vaults will be located in access-controlled areas, which are:
 - a. Monitored by closed circuit video surveillance.
 - b. Secured by unique access identification methods which record all who enter and exit.
 - c. Limited to qualified and authorized individuals to whom access is assigned.
 - d. Not located on exterior walls within the facility.

5. Storing Cash

- a. All cash not at the register will be stored in a secure safe within an access-controlled area.
- b. Cash safes should be rated at least UL291 or CEN1.

- c. Cash safes should require a unique access identification method.
- d. All cash safes will maintain a chronological access and event log that includes:
 - a. Printed name and signature of persons accessing the safe.
 - b. Total amount of deposits and withdrawals.
 - c. Date of deposits and withdrawals; and
 - d. Record of daily transactional reconciliation and inventory.

6. Security

- a. Business will provide emergency procedures training to any employee handling cash, which includes at a minimum:
 - a. Robbery
 - a. Immediate response in the face of an oncoming robbery.
 - b. Policies related to appropriate physical responses by employees or any accessing security personnel.
 - c. Immediate response required once incident is over, aside from contacting local authorities.
 - b. Fire
 - c. Power outage
 - d. Cash discrepancy investigation and reporting
 - e. Access control
 - f. Chain of custody and

- g. Fraud and suspected fraud awareness

7. Visitors Policy

- a. Written Business policy will establish a visitors' policy that maintains all security requirements during each visitor's movement in a facility and includes at a minimum:
 - b. A log indicating the printed name and signature of the visitor;
 - c. Reason for the visit and areas to which they are requesting access;
 - d. Date and time of visit (which should be scheduled in advance if possible)
 - e. Valid identification such as a badge or driver's license number.
 - f. Initials of the authorized employee escorting the visitor on premises, and
 - g. Assignment of a visitor's badge.
- h. Visitors will be escorted at all times when in limited- or restricted-access areas of a facility, preferably by an employee and security officer.
- i. Visitors' access to secure cash rooms should be limited to authorized persons with a necessary reason for access, such as law enforcement, governing authorities, auditors etc.
- j. Visitors will wear assigned visible badges at all times on premises, which must be returned upon exiting the facility.

8. Cash Handling and Chain of Custody

- a. Two separate authorized and qualified individuals will be present at all times during cash handling.
 - a. Cash is counted under dual control at the beginning of the cashier's shift and at the end of the shift.
 - b. Cash is never sold between cashiers. All cashier's cash needs are transacted through the vault with a supervisor present.
- b. Two separate authorized and qualified individuals will independently verify cash shipments to and from a vault services provider.
- c. If a discrepancy is found, cash inventory will be completed by a third authorized and qualified individual. Employees handling cash will be trained in chain of custody procedures. Any deviation of the above protocols will result in investigation and retraining, including restructuring of written Business policy as necessary.

9. Cash Drops

- a. Salespersons will prepare cash deposits from assigned register drawers at the end of a work-shift and earlier in the day if a standard amount has been reached from cash sales, as defined by written Business policy.
- b. Cash drops will be sealed in accordance with chain of custody procedures.
- c. Cash drops will be placed into a secure location by the salesperson and will not be opened until they are being taken into the cash bank or included in a deposit.

10. Cash Deposits

- a. Two separate authorized and qualified individuals will verify deposits.

- b. Place deposit in a tamper-evident bag that has a unique alphanumeric number and/or barcode.
- c. Complete all information on the bag, include a completed bank deposit slip and close the bag using the tamper-evident seal.
- d. Store the deposit bag in a secure safe in a restricted-access area until it is ready for transport.
- e. Record deposit bag information in a log for transport. A compliant transport log will include at a minimum:
 - a. Printed name and signature of transport agent
 - b. Date of pickup
 - c. Destination of deposit(s)
 - d. Verification of number of deposit bag(s) being transported, and
 - e. Verification of unique identifier on deposit bag(s).
- f. Transport agent will verify the deposit bag information and sign off on the log to assume chain of custody.
- g. Transport agent will confirm delivery of deposit(s) and the time will be recorded on the log.
- h. All deposit records will be returned by the transport agent and verified by a separate authorized and qualified individual in the presence of the transport agent.

11. Cash Transport

- a. Transport agents will follow a designated predetermined route including an estimated time of arrival (ETA).

- b. Travel routes for cash transport will be randomized. For those routes where no alternatives will exist (i.e., rural routes), an arrival schedule at the destination point should be published. Any significant deviation from the scheduled arrival time should initiate the following protocols:
 - a. Call driver on radio or cell phone to determine situation:
 - 1. Any benign situation (traffic congestion, construction, etc.) should be logged and no further action taken.
 - 2. If driver does not respond to radio or cell calls, then notify appropriate authorities.
 - c. When possible, times of cash transport will be randomized.
 - d. Transport routes will avoid construction detours.
 - 1. Transport routes will avoid high-risk areas, as defined by security managers.
 - e. Transport agents should travel in pairs when possible.
 - f. Transport agents will be reachable via cell phone at all times.
 - a. Transport vehicles should be equipped with GPS tracking if possible.
 - b. Transport agents will be trained in written Business policy addressing emergency situations such as robbery response.

1. Cash Limits

1. Cash Limits in Retail Locations

- a. Written Business policy will define a standard amount of cash to be held in a register drawer:
 1. This amount may vary by day of the week based on historic cash flow analyses.
- b. The amount of cash maintained on-hand in a single location will not exceed an amount to be established by written Business policy.
- c. Once the standard amount is reached, a cash drop for the extra amount will be made into a secure location.
- d. Cash drops will be verified by an individual other than the person who prepared the cash drop.
- e. Sales and profit reports will be prepared for each business day, which will include:
 1. Sales from the business day; and
 2. Expense receipts paid from sales each business day.

2. Cash Limits During Delivery: Business to Business

- a. Delivery drivers will not carry more than a standard amount of cash as defined by state rule, their own bank's or insurance Business's guidelines or other governing authority.
- b. Written Business policy will define a standard amount of cash to be held in a delivery vehicle in adherence to all state rules or other governing authority standards.

- c. Cash payments for invoices will be verified prior to delivery and the amount of cash collected on a delivery driver's route will not exceed a pre-determined amount.
 - 1. In the event a business pays in cash which causes the delivery driver to exceed the standard amount, if possible, the driver will return to the origin location to complete a cash drop before proceeding on the route.
- d. Deviations from a planned route will be documented and the remaining routes will be updated to reflect the time and travel adjustments.

3. Cash Limits During Delivery to Patients or Customers

- a. Delivery drivers will not carry on their person more than the maximum amount defined in written Business policy, as defined as:
 - a. A standard amount of currency to be maintained in a delivery driver cash drawer.
 - b. A standard variety of bills and change that will make up the delivery driver cash drawer.

2. Delivery Driver Cash Management

1. Delivery Driver Hiring and Training

- a. Delivery drivers will complete employment history verification, a background check, and driving record inquiry prior to hiring.

- b. Delivery drivers must report any changes to their criminal or driving record immediately, as defined in written Business policy.
- c. Review of delivery driver qualifications will occur regularly, as defined in written Business policy.
- d. Delivery drivers will be:
 - a. Formally trained in written Business security and emergency policies and procedures and training records will be maintained.
 - b. Complete a standard number of hours on a “ride-along” as part of a written Business training program.
 - c. Subject to routine and random “ride-along” observation by management to ensure adherence to policies and procedures.

2. Transportation Vehicle Surveillance and Tracking

- a. Transportation vehicles will have a GPS tracking device in real-time.
- b. Transportation vehicles will have video surveillance in the cab and/or secure storage areas where cash is handled.

3. Policy and Procedure for Delivery Drivers En Route

- a. Delivery drivers will not carry more than a standard amount of cash which is set by written Business policy and is in accordance with cash-in-transit guidelines where applicable.
 - 1. Challenges with driving 4 hours in a state include multiple transactions and carrying large amounts of cash.

2. In these non-standard cases, it is suggested to use a cash lock box in vehicle.
 - b. Payment methods will be verified prior to delivery, and cash deliveries that exceed in the aggregate the standard amount, as defined by written Business policy, will not be planned on a single route.
 - c. In the event cash is paid for a delivery that exceeds the standard amount and physical logistics permit the delivery driver will immediately return to the origin location to complete a cash drop before proceeding with their scheduled route.
 1. Rerouting will be recorded and all remaining delivery routes will be updated as necessary to reflect impacted time and travel changes.
 - d. Delivery drivers will secure cash in a locking register bag, which will contain a standard amount as defined by written Business policy and include bills and change sufficient to complete transactions.
 - e. For customer or patient transaction deliveries, each transaction, including any change made, will be recorded on the cash bag register log.
 - f. On return to the origin location the delivery driver and an authorized representative of the Business will verify the payments in the drop bag and reconcile the register.
 - g. Verification will occur in an area that is being video recorded.
 - h. If the delivery is a business to business transaction, delivery drivers will secure cash in a locking drop box which is secured in the vehicle.
 1. Once a verified payment has been placed into the secure drop box, it will not be opened until the delivery driver returns to the origin location.

- i. On return to the origin location, the delivery driver and an authorized representative of the Business will verify the payments in the drop box.
- j. Verification will occur in an area that is being video recorded.
- k. The locking drop box will be accessible by key or electronic code and each delivery driver will keep a key on their person at all times (if applicable).

4. Delivery Routes Should

- a. Avoid high-risk areas.
- b. Avoid areas in which cell reception is not reliable.
- c. Not be rescheduled if they have been previously compromised.
- d. Be randomized to avoid security threats.
- e. Be planned to avoid construction detours.

3. Cash Spending

1. Expense Reporting

- a. Starting cash bank will be verified prior to the spending of any cash.
- b. An expense receipt will be created for all cash spending, to include:
 - a. Vendor invoice including line item detail;
 - b. Vendor location and contact information;

- c. Date of transaction;
 - d. Printed names of delivery agent and receiving agent;
 - e. Signatures of delivery agent and receiving agent;
 - f. Copy of identification from delivery agent, e.g.
 - g. Driver's license; and/or
 - i. State issued employee license;
 - ii. Business issued employee badge;
 - h. Total expense receipt amount;
 - i. Payments made on invoice amounts and further payment plan arrangements and authorizations if not paid in full;
 - j. Record of any returned or rejected invoiced items;
 - k. Request for and/or confirmation of refunds.
- c. Expenses will be paid and verified in the presence of both the delivery agent and the receiving agent.
- d. Expense payments will occur under recorded video surveillance in an access-controlled area. (not feasible with certain expenses like utilities)
- e. Any required shipping/travel manifest will be retained with the expense receipt and include:
- a. Record of any returned or rejected invoiced items, and
 - b. Request for and/or confirmation of refunds.
- f. Written Business policy will define payment amounts which need authorization.

- g. Business will ensure that any business to whom payments are being issued for regulated inventory (i.e., cannabis and/or cannabis-derived products) are currently licensed:
 - a. State business license; and/or
 - b. State sales tax licenses/permits;
 - c. Local business license;
 - d. Local sales tax licenses/permits (if applicable).
- h. Cash banks will be reconciled every business day including verification of complete record keeping.

4. Cash Reporting

1. Reports of Currency Received in Trade or Business: IRS Form 8300

- a. Banks and certain other financial institutions must file currency transaction reports, or CTRs, for each deposit, withdrawal, exchange of currency or other payment or transfer, by, through or to the institution when involving more than \$10,000. Any cannabis business that is a “money services business” must file CTRs for such \$10,000+ transactions. A cannabis dispensary or other trade or business must file separate currency reports using IRS Form 8300, “Report of Cash Payments Over \$10,000 Received in a Trade or Business.” A money services business or other financial institution that files a CTR for a transaction does not also file a Form 8300.
- b. Trades and businesses must report cash payments received if **all** of the following criteria are met:
 - a. The amount of cash is more than \$10,000, and

- b. The business receives the cash as:
 1. One lump sum of more than \$10,000; or
 2. Installment payments that cause the total cash received within one year of the initial payment to total more than \$10,000; or
 3. Previously unreported payments that cause the total cash received within a 12-month period to total more than \$10,000; and
 4. The establishment receives the cash in the ordinary course of a trade or business; and
 5. The same agent or buyer provides the cash; and
 6. The business receives the cash in a single transaction or in “related transactions.”
 - a. “Related transactions” are transactions between a payer, or an agent of the payer, and a recipient of cash that occur within a 24-hour period. If the same payer makes two or more transactions totaling more than \$10,000 in a 24-hour period, the business must treat the transactions as one transaction and report the payments. (A 24-hour period is 24 hours, not necessarily a calendar day or banking day.)

2. Filing Form 8300

- a. Generally, a business must file Form 8300 within 15 days after receiving the cash. If the 15th falls on a Saturday, Sunday, or holiday, the business must file the report on the next business day.

- b. In some situations, the payer may arrange to pay in cash installments. These multiple payments are subject to special calculation rules:
 - a. If the first payment is more than \$10,000, a business must file Form 8300 within 15 days.
 - b. If the first payment is not more than \$10,000, the business adds the first payment and any later payments made within one year of the first payment. When the total cash payments exceed \$10,000, the business must file Form 8300 within 15 days.
 - c. After a business files Form 8300, it must start a new count of cash payments received from that buyer. If a business receives more than \$10,000 in additional cash payments from that buyer within a 12-month period, it must file another Form 8300 within 15 days of the payment that causes the additional payments to total more than \$10,000.
 - d. If a business must file Form 8300 and the same customer makes additional payments within the 15 days before the business must file Form 8300, the business can report all the payments on one form.
- c. Businesses can file Form 8300 electronically using the [Bank Secrecy Act \(BSA\) Electronic Filing \(E-Filing\) System](#). E-filing is free and is a quick and secure way for individuals to file their Form 8300s. Businesses can also mail the Form 8300 to the IRS at:

The Detroit Federal Building
P.O. Box 32621
Detroit, MI 48232

- d. When a business is required to file a Form 8300, the law requires the business to provide a written statement to each person(s) named on Form 8300 to notify them that the business has filed the form. This requirement to provide a written statement does not apply with respect to a Form 8300 filed voluntarily, including a Form 8300 to report a suspicious transaction involving less than \$10,000.
- a. The business filing Form 8300 must provide its identified customers with the written statement **on or before Jan. 31** of the year that immediately follows the year the customer made the cash payment.
 - b. The written statement must include the following information:
 1. The name and address of the cash recipient's business;
 2. The name and telephone number of a contact person for the business;
 3. The total amount of reportable cash received in a 12-month period; and
 4. A statement that the cash recipient is reporting the information to the IRS.
 - c. The code and regulations only specify the information that the business is required to include on a statement, not the format of the statement. A business may use its invoice for the statement of notification, as long as the invoice includes all required information.
 - d. Providing a copy of Form 8300 to the payer(s), although not prohibited, is not advisable due to the sensitive information contained on the form, for example, the

Employer Identification Number (commonly called an EIN) or SSN of the filer.

- e. A business must keep a copy of every Form 8300 it files, and the required statement it sent to customers, for at least five years from the date filed. Civil and criminal penalties may apply for failing to file 8300s in a timely manner to the IRS.
- f. Additional information on 8300 definitions and requirements are available at the IRS website:
 - 1. <https://www.irs.gov/businesses/small-businesses-self-employed/irs-form-8300-reference-guide#:~:text=The%20law%20requires%20that%20trades,a%20Trade%20or%20Business%20PDF.>

5. ATM Transactions

- a. Businesses that own and operate ATMs generally are subject to CTR filing requirements for cash deposits and withdrawals from the ATM when those transactions exceed \$10,000. An ATM operator that is a money services business (MSB) also are subject to CTR filing requirements. However, simply operating an ATM does not cause a business to be an MSB.
- b. A business that is not a bank or MSB is not subject to a CTR filing requirement. However, that business would be subject to the IRS Form 8300 filing requirement if cash transactions exceeding \$10,000 are conducted through the ATM. See above.

6. Wholesale Cash Transactions

1. Documenting Cash Transactions for Wholesale Purchases and/or Sales

- a. Policies and procedures will be designed and followed in order to maintain accurate records of product and cash transactions.
- b. Businesses may use invoicing software to assist in this process.
- c. The Uniform Commercial Code may be referred to in drafting business policies for product and cash transfers. (See *Article 2: Sales, Part 3: General Obligation and Construction of Contract* <https://www.law.cornell.edu/ucc/2>)

2. Whole Cash Transactions at the Time of Product Transfer

- a. Cash will be transported following the cash transport guidelines outlined in this standards document.
- b. Cash will be counted and managed following the cash processing guidelines outlined in this standards document.
- c. Cash will only be transferred for invoiced and track and traced products with all batch numbers indicated on the invoice.
- d. Signatures from all parties involved in the transaction will be gathered on the invoices, and copies of the signed invoices will be given to all parties involved in the transaction.
- e. Cash transactions will be reported to the IRS using Form 8300 following the cash reporting guidelines outlined in this standards document.
- f. Where applicable, banked businesses must report the cash transaction to their bank for proper reporting in a CTR to FinCEN.

3. Partial Wholesale Cash Transactions

- a. The guidelines enumerated in section B of this standard will be followed.
- b. Prior to obtaining signatures, the following will be noted on the invoice:
 - a. The portion of the products that are accepted;
 - b. The portion of the products that are rejected;
 - c. Track and trace batch numbers for all products.

4. Wholesale Cash Transactions for Consigned Products

- a. The guidelines enumerated in section B of this standard will be followed.
- b. Sales and payments will be clearly tracked as against the specific invoices.
- c. Signatures for payment receipts as against those invoices will be obtained from the payee for each installment.
- d. As soon as the \$10,000 threshold for Form 8300 is reached, the cash will be reported on Form 8300 to the IRS with a notation indicating that it is an installment contract, and that updated reports will be filed.
 - a. The total amount of cash payment obtained as against the specific invoice will be reported on the updated Form 8300 for the annual cash payments made on that invoice.
 - b. For an installment contract, each invoice will be reported on a separate Form 8300 and/or updated Form 8300.

7. Payments

1. Network Branded Cards

- a. Network branded card (e.g., American Express, Discover, MasterCard, Visa) acceptance is not presently available to the US cannabis industry under national network branded card rules. Read the most current published network rules on cannabis for clarification. Beware of payment providers who are offering network branded acceptance and presenting that these are compliant with the network rules.

D. BANKING RELATIONSHIP

1. Best Practices:

- a. Treat your banker like a partner: Your banker is your friend. Be honest with them and stay in touch. Update them immediately regarding all material changes in your business.
- b. Provide requested information to your banker immediately: Cannabis businesses, as do other higher risk business types, can expect regular requests for more information from their bankers. Information requested is for legal and regulatory compliance for the bank and the business must not delay in providing the requested information. Delays can result in disruptions to your business.
- c. Keep your cannabis licenses up to date: Provide your renewed cannabis licenses to your banker before the expiration of the previous license. If your cannabis license expires, your banker must suspend or close your account.
- d. Provide your seed-to-sale tracking information.
- e. Provide transaction reports to your banker monthly: On a monthly basis, provide your banker with detailed transaction reports of all transactions conducted by the business. Some bankers may also request track and trace reports on the same time period.
- f. Update suppliers, vendors, and purchasers lists immediately: Cannabis businesses must identify all suppliers, vendors, and purchasers to their bankers. If the business changes suppliers, vendors, or purchasers, that list must be updated with your banker immediately in order to avoid disruptions to your business. If the suppliers, vendors, or purchasers are also cannabis businesses, their active, unexpired cannabis license numbers must be supplied to your banker.
- g. Update owners, officers, control parties, and key people lists immediately: Businesses must identify owners, officers, control parties, and key people to their bankers. If any of these people/entities

- change, the list must be updated with your banker immediately to avoid disruptions to your business.
- h. Conduct annual audits and provide the results to your banker: All cannabis businesses must conduct annual financial and compliance audits. The results of the audits must be provided to your banker.
 - i. Stay in compliance with all applicable laws for your business: It's essential to comply with all cannabis laws and regulations applicable to running your business. All taxes due to all tax authorities must be paid on time. All corporate governance rules established in the company policies must be complied with by all officers, directors, owners, employees, contractors, etc.
 - j. Apply due diligence to selecting your vendors: Its essential to apply proper due diligence in evaluating all vendors to make sure that they comply with applicable laws for the specific services they provide. For example, a text marketing business must comply with the Telephone Consumer Protection Act and the cannabis advertising and marketing laws of your state. If any part of your business, including your vendors, is out of compliance with the applicable law, your entire business is out of compliance and you risk losing your cannabis licenses and banking/financial relationships.