

## City of Oakland

### Cannabis Equity Entrepreneurship Program:

#### Gaining Resources to Achieve Sustainable Success (“GRASS”)

May 2020

#### GRASS PROGRAM SUMMARY

To help Oakland’s Equity Loan and Grant recipients build long-term sustainable and successful businesses, the City of Oakland has established the Gaining Resources to Achieve Sustainable Success (“GRASS”) program. GRASS is a business coaching program modeled after programs implemented by other capital providers such as micro-lenders and equity investors who seek to ensure growth and success is achieved by the entrepreneurs they fund.

The City of Oakland’s GRASS program consists of the following components:

1. **Historical Financial Review**: Helps entrepreneurs create realistic budgets and provides a better understanding of future cash needs. The process includes review of:
  - a. Past financial statements, including but not limited to the Income Statement, Cash Flow Statement, and Balance Sheet.
  - b. Timing of actual historical expenditures
  - c. Timing of revenues/sales and when cash is actually collected.
2. **Customer and Market Review**: Help entrepreneurs understand their target customer, the markets in which the business operates, the competitive landscape and opportunities to grow through strategic partnerships and relationships. In addition customer acquisition costs and strategies will be reviewed.
3. **Operations Review**: Help entrepreneurs conduct an ongoing review of business operations including staff, site/location, inventory, technology needs, regulatory compliance, and implementation of best business practices.
4. **Budgeting**: Help entrepreneurs forecast revenue growth, expenditures and future cash needs of the business. Entrepreneurs will begin by developing an annual spending budget as well as a revenue/sales forecast. This forecast will be tracked over-time via budget to actual comparisons to determine if the company’s revenue growth and spending are on track. Such an analysis will help manage cash flow and address unforeseen cash needs before long-term financial problems develop.
5. **Action Planning**: Help entrepreneurs develop an annual action plan, including establishing goals and milestones, to ensure the highest probability of success for the company. A periodic review of this action plan will be conducted to make appropriate adjustments as needed.

## PROGRAM PARTICIPATION

Equity Loan and Grant recipients are required to participate in the GRASS program as part of the post-loan and post-grant reporting requirements as outlined in the loan and grant agreement exhibit entitled Post Closing Reporting Requirements (see Appendix 2 below). These requirements have been incorporated into the GRASS program. The GRASS program has two important and distinct components whose requirements are summarized on the chart below:

1. **Grass 1.0:** Grass 1.0 enables Equity Grant Recipients and Equity Loan recipients who are current on their loan payments to comply with the Post Closing Reporting Requirements outlined and signed in the Equity Loan and Grant agreements. See Column 1 on chart below.
2. **Grass 2.0:** Grass 2.0 enables delinquent Equity Loan recipients to apply for grants and avoid Equity Loan contract penalties, such as losing their cannabis permit/local authorization and/or a collection process. Grass 2.0 requirements may also include participation in the Equity Loan Modification program. See Column 2 on chart below.
- 3.

### *Equity Grant Recipients GRASS 1.0 Participation:*

As part of the City of Oakland Equity Grant Program, Equity Grant Recipients will be required to fulfill the GRASS 1.0 requirements summarized in column 1 below.

## COACHING REQUIREMENTS

The following chart summarizes the coaching requirements for the Grass 1.0 and Grass 2.0 programs.

	Grass 1.0 Equity Grant Recipients Current Equity Loan Recipients	Grass 2.0 Delinquent Equity Loan Recipients
Required Participation	All Equity Loan/Grant recipients must meet the requirements of the Grass 1.0 program in order to be in compliance with their Equity Loan/Grant Agreement.	Delinquent Equity Loan Recipients must meet the requirements of the Grass 1.0, 2.0, and the Loan Modification Program to be in compliance with their Equity Loan Agreement.
Documentation & Timing	Documents must be submitted before receiving a loan/grant and every six-months thereafter	Must complete Grass 1.0 requirements; Grass 2.0 documents must be submitted before receiving a grant & monthly thereafter
Prerequisite	Must be current for two months on Equity Loan payments	Must participate in the Loan Modification Program
Historical Financial & Review	<ol style="list-style-type: none"> <li>1. Historical financial statements, budget and business plan</li> <li>2. Evidence that Borrower's taxes have been paid (BOE, state and city taxes, etc.)</li> <li>3. Additional amounts invested into the business</li> <li>4. Additional loans obtained by the business</li> </ol>	<ol style="list-style-type: none"> <li>1. Same as Grass 1.0</li> <li>2. Monthly income statement and cash flow statement</li> <li>3. Submission of receipts to show how 100% of the Equity Loan was spent</li> <li>4. Submission of monthly Bank Statements</li> <li>5. Schedule of loan balances outstanding and repayment amount</li> </ol>
Customer and Market Review	<ol style="list-style-type: none"> <li>5. Review and analysis of previous customers and buyer including demographic data and business characteristic</li> <li>6. Review historical buying patterns and monthly seasonality</li> <li>7. Review of competitive landscape</li> <li>8. Review of strategic partnerships</li> </ol>	<ol style="list-style-type: none"> <li>6. Same as Grass 1.0 except that the review is conducted on a monthly basis</li> </ol>
Operations Review	<ol style="list-style-type: none"> <li>9. Review change headcount</li> <li>10. Review change in business location</li> <li>11. Review change in team/business partner/incubator</li> <li>12. Review implementation and use of Track and Trace</li> <li>13. Review regulatory and tax compliance</li> </ol>	<ol style="list-style-type: none"> <li>7. Same as Grass 1.0 except that the review is conducted on a monthly basis</li> <li>8. Work with Elevate Impact Oakland staff to update business plan including detailed discussion on how to improve business operations given what has actually transpired since receiving the loan</li> </ol>
Budgeting	<ol style="list-style-type: none"> <li>14. Review six-month budget to actual comparison using financial projections and budget provided in the loan agreement</li> </ol>	<ol style="list-style-type: none"> <li>9. Same as Grass 1.0 except that the review is conducted on a monthly basis</li> </ol>

		<p>10. Create a monthly cash flow projection including:</p> <ul style="list-style-type: none"> <li>a) Expected cash receipts from revenue, loans, grants and investment</li> <li>b) Expected expenditures for bills per invoices and bank statements</li> </ul>
Action Plan	15. Each year, develop an action plan including goals and milestones to ensure the highest probability of success for the company, to be reviewed every six months	11. Same as Grass 1.0 except review is conducted on a Monthly basis
Required Meetings/Calls	16. A call or meeting with an Elevate Impact Oakland Staff will be held every six months to review the materials summarized above in the GRASS 1.0 program.	17. A call or meeting with an Elevate Impact Oakland Staff will be held monthly until loan delinquency has been cured to review the materials summarized above in the GRASS 2.0 program.

## COACHING PROCESS

The three steps required to participate in the GRASS program, include:

- I. **STEP 1: Online GRASS Application**: Applicants must register for an account at “ElevateImpactOakland.com,” complete the GRASS online application, and upload the required documents. Paper applications will not be accepted. GRASS Applications can be completed online at local public libraries.
- II. **STEP 2: GRASS Application Review**: A GRASS application will be reviewed by Elevate Impact Oakland Loan staff to both: (i) ensure appropriate documents have been uploaded; and (ii) respond to any questions that the GRASS applicant may have.
- III. **STEP 3: GRASS 1-TO-1 CONSULTING**: An Elevate Impact Oakland Loan staff person will be assigned to the GRASS applicant to provide 1-to-1 consulting including review of and providing feedback on the GRASS application materials. GRASS application material recommended revisions will be made based upon the review by the Elevate Impact Oakland staff.

## **RESERVATION OF RIGHTS**

The City of Oakland reserves the right to evaluate and revise the GRASS program in the future based on information gathered in its evaluation.

## **BACKGROUND**

In the spring of 2017, the Oakland City Council enacted landmark cannabis legislation to minimize disparities within the cannabis industry by providing equity applicants with prioritized permitting, exemption from application and permit fees, technical assistance, and now financial assistance via the Equity Grant Program. The Oakland City Council determined that such a Loan Program was needed to begin to close the financial gap between well-resourced and historically marginalized cannabis operators given the lack of personal wealth in low-income communities and federal restrictions on bank lending. By re-investing cannabis tax revenue into economic opportunities for those most impacted by the War on Drugs, the City of Oakland seeks to reduce the costly fallout that results from economic marginalization and to contribute to a more thriving and resilient City of Oakland for all residents.

## APPENDIX 1

### 1 to 1 Consulting Overview

As part of the 1 to 1 consulting process, Elevate Impact Oakland will work with entrepreneurs to ensure the highest probability of success by focusing on the following:

- Developing a business plan including detailed start-up budgets, use of funding proceeds exhibits and 2-year monthly projections
- Developing a strong product differentiation and compelling value proposition
- Understanding who their core customer is and how to reach them
- Understanding the competition and how that impacts their business
- Developing a marketing and action plan for launching and growing their business
- Assisting with developing customer relationships
- Creating a strong team with clear roles and responsibilities including employees, strategic partners, vendors, and advisors
- Understanding permits, taxes, licenses accounting, and insurances needs required to run their business
- Developing infrastructure to create and deliver their products and/or services
- Understanding how to apply for a loan, loan qualifications, documentation requirements, repayment policies and responsibilities
- Developing criteria for seeking and selecting a location
- Understanding the complete cycle of business formation, operations, steady growth and planned exits
- Understanding inventory management

Further, Elevate Impact Oakland assists entrepreneurs with locating resources for specific challenges, such as insurance and accounting support, and provides a list of insurance providers, lawyers, accountants and other administrative resources. Finally, Elevate Impact Oakland helps entrepreneurs apply for funding from other sources including grants and private investors.

## APPENDIX 2

### POST-CLOSING REPORTING REQUIREMENTS

(excerpt from Loan and Grant Agreement)

#### I. Monthly

- a. Income statement and cash flow statement
- b. Number of jobs (full-time and part-time)
- c. Evidence that taxes have been paid (BOE, state and city taxes, etc.)
- d. Additional amounts invested into the business
- e. Additional loans obtained by the business
- f. Loan balances outstanding and repayment amount
- g. Bank statements
- h. Invoices and receipts corresponding with debits shown in bank statements
- i. If business provides health insurance to its employees
- j. If the business has opened a new location
- k. If the business has closed
- l. If the business has moved
- m. If there was a change in ownership
- n. If there is a change in a relationship with a General Applicant Incubator
- o. If there was a change in the operating agreement or other organizational documents

#### I. Technical Assistance Meeting

Borrower/grantee agrees to participate in post-closing advising, including meetings to help the business grow and prosper. This technical assistance will include the development and review of the following:

- a. Financial statements
- b. Budget to actual comparisons
- c. Business plan progress
- d. Achievement of operational metrics
- e. Action plan to fuel business growth including sales, marketing and customer acquisition strategies
- f. Analysis of cash burn and spending strategies
- g. Job creation plan
- h. New equipment, furniture, and fixture expenditures