



Services for the Cannabis and Emerging Medicines Industries



Our Services for the Cannabis and Emerging Medicines Industries

Navigating the overlapping state and federal regulations that affect cannabis and emerging medicines internationally requires deep knowledge of many disciplines and commitment to the evolving landscape. Individual states continue to approve cannabis and psychedelics for medical and recreational use. At the same time, pharmaceutical firms move to develop treatments predicated on psychedelics for a range of mental health and neurological disorders. Laws, regulations, and enforcement continue to be murky, leading to new business disruption threats and opportunities.

Our team understands the unique challenges facing the cannabis and emerging medicines industries from local, national, and global perspectives. As one of the first major U.S.-based business advisory firms to establish a cannabis and psychedelic-specific practice, FTI Consulting is committed to helping the industry grow and succeed.



Let's Grow Together

At every phase of the business lifecycle, from entrepreneurial startup to multi-national corporation, FTI Consulting offers the cannabis and emerging medicines industries a suite of solutions and services that address specific business challenges around regulatory compliance, financial and operational discipline, brand integrity, and reputational enhancement.



Cannabis & Emerging Medicine Startups

Startup companies, the seeds of the industry, will shape its future. FTI Consulting ensures that startups have the basic operating structure and governance in place to avoid interruptions or compliance failures that could impede growth or even threaten survival. From license applications and investor pitches to clinical trial support, financial controls, and regulatory compliance, we can accelerate business processes, paving the way for startups to handle increasing market share and achieve scalable, sustainable growth.



Established Operations

As companies grow, needs evolve. Compliance moves from a plan to an operational practice. An established labor force and supply chain bring tax and insurance obligations. Accounting and financial operations become more complex. Established business owners can be overwhelmed, especially in tight labor markets where harvesting talented industry executives is challenging. FTI Consulting can help close the gaps in operations and streamline the processes needed to fuel and sustain growth while preparing for the future.



Multi-State and Multi-Country Vertical Operations

Mature, multi-jurisdictional cannabis and emerging medicine developers may require a broad suite of traditional business services with the additional complexities that come from heavily regulated industries. FTI Consulting offers services that help protect these companies from the pitfalls that often occur with success, such as growth outpacing controls, nuisance litigation, insider fraud, and unwelcome takeover attempts. We also help companies conquer obstacles and take advantage of opportunities with technical accounting, due diligence investigations, M&A support, and strategic communications to markets and investors.



Industry Investors

The lack of access to traditional capital means that private equity firms, family offices, and other investors in the cannabis and psychedelic industry are looking at a bountiful crop of potential investment targets and may need help evaluating financial soundness, regulatory compliance, and viable business models. Our comprehensive due diligence reviews the quality of earnings, working capital requirements, net asset analyses, and evaluation of projections. We can also conduct reputational due diligence of executive management and other investors to uncover hidden liabilities and fraud indicators or to trace the source of funds for previous investors. We help assess balance sheet and working capital requirements and risks associated with the company's forecast to identify value enhancements and value issues.



Where We Can Help

Compliance and Investigations

The shifting nature of the industry's regulations can make financial reporting and compliance a challenge. We help clients build regulatory compliance programs or strengthen existing ones, including cannabis and FDA compliance. Our team includes former audit firm CPAs, industry Controllers, CFOs, and regulators highly experienced in financial operations and compliance-related investigations relevant to growing cannabis and psychedelics companies.

Reputational and Financial Due Diligence

As companies license different markets and expand their brands, there is a greater need for due diligence to protect the brand and to comply with regulations. Our global investigations practice provides detailed background information beyond a simple check of criminal records. We offer a complete profile of persons and companies – growers, processors, potential investors, payment processors, and trial partners – that can impact a company's health and reputation.

Anti-Money Laundering

Our certified anti-money laundering (AML) specialists can help design an AML compliance program that meets FinCEN and Cole Memo standards, as well as the requirements of state regulators, financial institutions, and investors. We also provide independent reviews to craft new or bolster existing AML compliance, sanctions, and anti-corruption programs.

Drug Enforcement Agency (DEA) Compliance

FTI Consulting has partnered with former DEA investigators to provide a full suite of compliance and security solutions to support the cannabis and psychedelics industries. Properly implemented compliance programs mitigate risk and may serve as an important line of defense in connection with potential law enforcement scrutiny. We assist in meeting and exceeding regulatory mandates established by federal, state, and local agencies. We have experience with DEA (CSA/CFR) “seed to sale” programs, pre-license compliance inspections, risk assessments, diversion detection and prevention, and cash handling protection and transportation programs, all in tandem with robust clinical trial and operational support designed for companies looking to advance through the FDA approval process.

Business and Operations

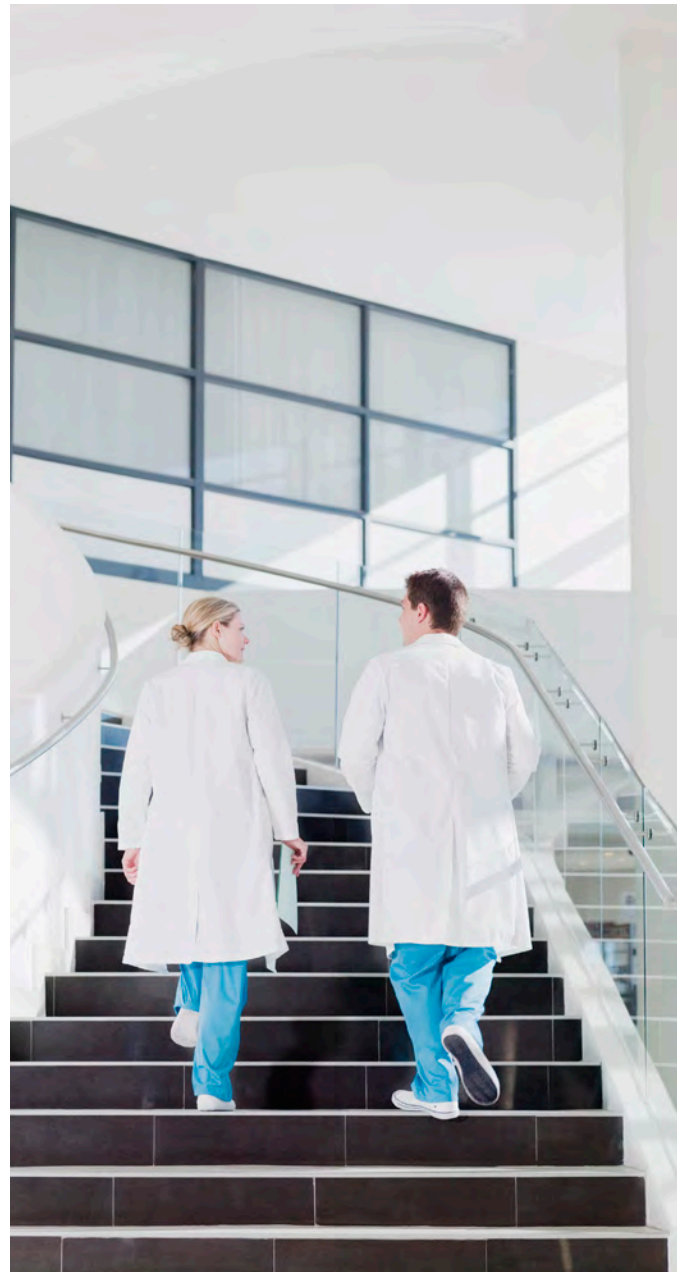
We help clients rapidly unlock profitability by driving revenue, optimizing costs, and improving operational effectiveness. Our seasoned team of performance improvement professionals has deep experience in resolving accounting operations, financial reporting, and auditing challenges for clients with unusual business needs.

Accounting Operations and Readiness

Financial reporting compliance, often a challenge due to the unique nature of the industry and a lack of historical precedence, is an area where we excel. We have successfully navigated these challenges with both early-stage and middle-market companies. Our extensive technical accounting expertise, coupled with our knowledge of financial operations, technology, and data management, provides a solid business foundation for growth, acquisitions, and any eventual public offering.

Intellectual Property

The value of brands and the rapid pace of innovation means flexible and knowledgeable IP strategies are critical for cannabis and emerging medicine companies to succeed. FTI Consulting advises clients on the value and significant economic benefits of developing a strong intellectual property plan. Our IP professionals are recognized globally for their expertise and have extensive consulting experience in emerging and complex industries, including recycling, solar power and biotechnology.



Reputational Enhancement

Since 2014, FTI Consulting has been helping cannabis and psychedelic companies reap the benefits of high commercial credibility that inspires confidence in their business partners and stakeholders. Whether the goal is attracting new capital, overcoming government opposition, or crisis management, our Strategic Communications professionals help clients establish their reputations by leveraging national and business media, positioning companies as polished and professional in a sea of more amateur competitors.

Insurance Advisory

The cannabis and emerging medicines industry faces unique challenges – both in terms of the business risks it faces and the complications of acquiring insurance coverage. FTI Consulting helps develop a robust risk management portfolio and find the best coverage for industry-specific risks on the plant side or the financial side of the cannabis industry.

Data & Analytics

Our Data & Analytics team has the expertise to analyze large, inconsistent data sets, transform them into usable data repositories, and identify trends to help streamline, analyze, and ultimately grow the business. The team has assisted cannabis and psychedelic developers by highlighting critical areas for performance improvement and delivering strategic business solutions by standardizing and analyzing voluminous and disparate financial, operational, and transactional data sets.

Tax Advisory

Our Transaction Tax Services team can develop strategic solutions to the tax nuances facing cannabis and psychedelic developers. FTI Consulting offers our clients a broad range of experience – garnered from their experience in law firms, Big 4 accounting firms, government and corporate, and in-house tax departments. We can advise companies, from initial structure to acquisitions, to mitigate tax liabilities and maximize economic returns. Our experts have the expertise necessary to address federal tax issues and the broadly varying state and local tax regimes.





CASE STUDY

DATA & ANALYTICS IN CANNABIS

Where's the money? When the systems to track your inventory are outdated and you run the risk of a compliance disaster, how can you use data analytics to get your house in order and identify your revenue?

SITUATION

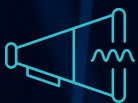
Company A was sold to Company B and, to help facilitate the deal closing, Company B pledged to remit 40% of the revenue from Company A's cannabis inventory (plants, buds, distillates, oils, final retail product) once they sold. Going on two years after the deal closed, the owners of company A have not received what they expected in revenue from the inventory and hired counsel/FTI Consulting to investigate.

OUR ROLE

- FTI Consulting's Data & Analytics (D&A) team was tasked with analyzing over 150 disparate files, mostly in Excel, that contained sales, inventory, production, etc., data to examine the alleged revenue of Company B's cannabis inventory.
- To do so, the Data & Analytics team conducted the following:
 - Created a centralized database from the files provided, inSQL, which tracked Company A's inventory (1) from the point of transaction, (2) through Company B's production process, and (3) to the end sale/retailer, if applicable.
 - Supplemented ad-hoc requests from counsel with detailed information related to the underlying inventory analysis and/or products status.
 - If needed, we will provide an expert to testify in this case.
- For a regulated industry, the systems available to track cannabis as it moves through the production process seem inadequate and archaic.

OUR IMPACT

- Created invaluable, interactive, and centralized database for cannabis tracking.
- Facilitated greater compliance with complex and fluid regulatory guidelines.
- Delivered critical sales information to Counsel and Client within budget.



CASE STUDY

ESTABLISHING A LEADING REPUTATION IN THE MEDICAL MARIJUANA INDUSTRY

SITUATION

Columbia Care, the U.S.'s leading medical marijuana manufacturer and supplier, engaged FTI Consulting to build its national profile and support the launch of its operations in New York, Boston, Chicago and other cities. This required defining their product in an often confusing and challenging business environment. Medical marijuana is increasingly gaining acceptance as a legitimate medical product and as an important medicine, though marijuana is still illegal in many states and listed as a Schedule I drug under federal law. In addition, the company needed to distinguish itself from an industry mostly dominated by small “mom and pop” businesses, many with less professionalism and with ties to the recreational marijuana business.

OUR ROLE

To position Columbia Care as the market leader nationally and improve public perception of medical marijuana as a viable alternative to more addictive opioid pain killers, FTI Consulting designed and executed a communications campaign that:

- Leveraged national and business media to position Columbia Care as both the industry leader and most professional medical marijuana company.
- Planned and executed media events to create local and national buzz, including entry into New York, Boston and Chicago.
- Positioned Columbia Care as a patient-centric company.
- Connected with third parties for support, including academics, disease groups, veterans groups and unions.
- Addressed issues posed by community resistance to dispensaries, rigorous state and local approval processes and the challenges of tight deadlines for grand openings.
- Provided crisis planning to address unforeseen challenges.

OUR IMPACT

By leveraging FTI Consulting's relationships with key media outlets and sharing timely messaging with journalists, Columbia Care dominated the media landscape and drove the conversation surrounding medical marijuana on a local and national levels. The Company has remained viewed as an industry leader with the CEO as a pre-eminent expert with medical marijuana. Columbia Care's share of voice in media coverage has far outweighed competitors, with coverage in The Wall Street Journal, The New York Times, CNBC, Politico, and Newsday in New York, and The Boston Globe, Boston Metro, Boston Herald, and Bloomberg Radio in Boston. Columbia Care has also been positioned as a credible, knowledgeable and compassionate healthcare provider, increasing the Company's credibility amongst patients, hospitals, research institutions, politicians, regulators and advocacy groups.



Cybertech

As participants in a highly regulated industry without access to traditional banking services, cannabis, and psychedelic companies are likely to incorporate emerging technologies into their business plans. Our experts can help protect the enterprise from both internal and external cyber threats and provide analysis and financial guidance on blockchain strategy.

Blockchain and Cryptocurrency

FTI Consulting provides financial analysis and guidance on strategic business applications that can help ensure the success of an overall blockchain strategy. Our team includes leading experts in cryptocurrencies, blockchain economics, initial coin offerings (ICOs), and digital token valuation and performance. We can provide a thorough understanding of the evolving regulatory and enforcement framework for cryptocurrencies and digital assets in the U.S. and abroad.

FTI Cybersecurity

We provide various internal and external risk assessments to evaluate systems, applications, and processes for multiple vulnerabilities, including customer, patient, and clinical trial data. Our experts, led by former top-level personnel from the FBI and other U.S. intelligence and enforcement agencies, can design and implement a custom-tailored cybersecurity resilience plan unique to a cannabis organization's environment and challenges.

Disputes

While we hope to avoid them, disputes are a part of today's business climate. Our professionals synthesize financial, competitive, and industry information to help clients unravel challenging financial and economic issues in commercial disputes and litigation. We are highly skilled at communicating our findings through expert testimony, using sophisticated graphics and courtroom technology.

Forensic Accounting

In the face of inquiries involving fraud, the propriety of accounting and financial reporting, regulatory compliance, or corruption, our clients rely on the invaluable experience of our multidisciplinary experts to respond. FTI Consulting has the expertise to address various accounting and compliance issues, analyze and reconstruct corporate books, records, and electronic information, participate in fact-finding interviews, and mitigate recurrences by recommending adequate controls.

Our approach enables us to efficiently gather facts, analyze the issues, and prepare reports and presentations that stand up to regulatory and judicial scrutiny. Because FTI Consulting does not provide audit or other attest services, companies can rely on our technical experience without being concerned about violating auditor independence requirements.

Expert Testimony

No matter how well you conduct your business, it will always be susceptible to disagreements and disputes with employees, suppliers, and customers. When disagreements turn into litigation, companies need experts to support their positions in court. In the cannabis industry, litigation can also come from regulators bringing civil actions as enforcement. FTI Consulting brought to court one of the first experts ever to testify on a cannabis matter in the US, and our dispute advisory professionals have vast experience in virtually every type of dispute, including labor and employment, contracts, intellectual property, and more.

Financial/ M&A

The cannabis industry is changing rapidly, with new providers and new investors entering the market every day. FTI Consulting has the resources to help you navigate the business challenges and opportunities that come with rapid growth. Our experts address the full spectrum of financial, operational, and transactional risks and opportunities.

Business Valuation

Valuing a business requires understanding and pricing risk. The value of an asset is equal to the risk-adjusted present value of future economic benefits. FTI Consulting can help navigate the idiosyncratic risks and nuances in the cannabis and emerging medicines industry that make valuation challenging, such as the rapidly evolving and stratified regulatory environment, a lack of historical market data, tax complexities, internal controls, and financial forecasting.

Acquisitions and Restructuring

Our comprehensive range of services is designed to meet all your needs in the cannabis and emerging medicines industry. We have proven experience in helping companies navigate the purchase or sale of a business, the roll up of assets into a new corporate entity, or to prepare for a public offering.

Our Transaction Services team has performed due diligence and forecast model reviews in the cannabis industry to ensure buyers verify the financial information provided to support investment decisions. Post-investment, we have a dedicated team of professionals that can assist in the achievement of integration objectives. Further, our Accounting Advisory team provides the technical accounting and financial reporting acumen required to tackle significant and material transactions.

Our international presence and experience can make expanding into new markets more accessible, and our post-acquisition dispute assistance is available if something goes wrong. We can also help companies carve out their cannabis and psychedelic-related business lines to provide an extra layer of protection from ever-shifting industry regulations.



Turnaround and Restructuring

While the cannabis and emerging medicines industry has experienced phenomenal growth in recent years, it has also experienced growing pains. For a variety of reasons, many companies have yet to deliver the level of financial performance within the time horizon projected when they were in capital-raising modes; in addition, some psychedelic medicine developers have faced steep regulatory roadblocks on the road to clinical integration. Consequently, some operators may now find themselves cash-constrained, saddled with an untenable capital structure, and challenged by disenchanted and agitated investors/lenders who may have lost confidence. Our seasoned turnaround and restructuring professionals possess the operational and financial expertise, cannabis industry knowledge, and standing within the investor/lender communities to help address these issues.



IPO Readiness Services

Our professionals can help cannabis and psychedelics companies increase the value of an IPO through our well-known reputation in the investment banking space and as a leading global transaction communications advisor and by providing a detailed, data-driven assessment of companywide strategic, organizational, and operational readiness. We can analyze performance and identify operational gaps in people, processes, and technology.

Our team can then work with the company to close those gaps – including working closely with the finance function to adopt Sarbanes-Oxley compliance and SEC reporting requirements – building a sustainable foundation for operational success following the IPO. Our Strategic Communications team can help develop critical stakeholder support, including designing internal and external communication strategies and developing materials that ensure you are prepared for a successful IPO launch and best position the company for success in the aftermarket.

Carve-Outs and Spin-Offs

Our team combines divestiture expertise with cannabis and emerging medicine industry-specific financial and operational experience to provide integrated and comprehensive carve-out services. FTI Consulting equips a prospective seller with the buyer's view of the carve-out while providing an early and transparent view of potential separation complexities and stranded costs by enhanced data visibility. We help prevent surprises with buyer due diligence to retain value and minimize post-close purchase price adjustments.

We use our deep knowledge of the issues and industry-leading practices to help the carved-out entity build a world-class finance function while managing daily operations. We provide change management, interim management, and surge resources to position the company for success from Day 1.



CASE STUDY

ACCOUNTING & OPERATIONS READINESS

SITUATION

FTI Consulting was retained by a California- based software platform and marketplace company specializing in cannabis-related services. In the midst of its latest financing round the company needed assistance preparing the financial statements to undergo the scrutiny of a financial statement audit. The scope of our work included (1) the development of the company's revenue recognition model; (2) preparation of the company's tax provision; (3) accounting for website development costs; (4) accounting for share repurchases; (5) communicating with its auditors; (6) preparation of a cash burn analysis; and (7) drafting the financial statements and related footnote disclosures.

OUR ROLE

FTI Consulting initially assisted with the creation of the company's revenue model and was engaged during the departure of its chief accountant. During this crucial time for the business, we recommended a wider scope of work to address multiple areas of concern, which the company approved. Using our financial reporting expertise FTI Consulting was able to help the company draft a complete set of financial statements from scratch.

OUR IMPACT

FTI Consulting achieved major improvements in the company's books and records to ensure compliance with generally accepted accounting principles. Critically, we validated and designed the Company's approach to revenue recognition which enabled gross presentation in the financial statements and better positioned the company throughout the financing process. FTI Consulting further assisted with the Company's most substantial areas of technical accounting, which the company lacked the capacity to perform, and achieved substantial long-term cost savings.



CASE STUDY

FINANCIAL / DEBT RESTRUCTURING

SITUATION

FTI Consulting was retained by an Ad Hoc Group of Convertible Noteholders (“Noteholder Group”) of a leading privately-held, vertically-integrated cannabis company (the “Company”) with an untenable capital structure. The Company brands, produces and distributes cannabis products throughout California, the world’s largest recreational (adult-use) cannabis market. Due to several operating challenges, including a significant fire at its main cultivation facility, and the lack of aggressive regulatory enforcement (which contributed to a proliferation of illegal / black market products), the Company had not yet reached the level of profitability originally contemplated by management, investors and lenders and as was necessary to support its capital structure.

Faced with impending maturities of multiple debt tranches, the Company retained the services of an investment banker and embarked on an effort to raise new capital in an amount sufficient to recapitalize its balance sheet. Unable to raise sufficient new capital to refinance or repay its maturing debt, the Company commenced negotiations with the Noteholder Group and other significant constituencies within its capital structure.

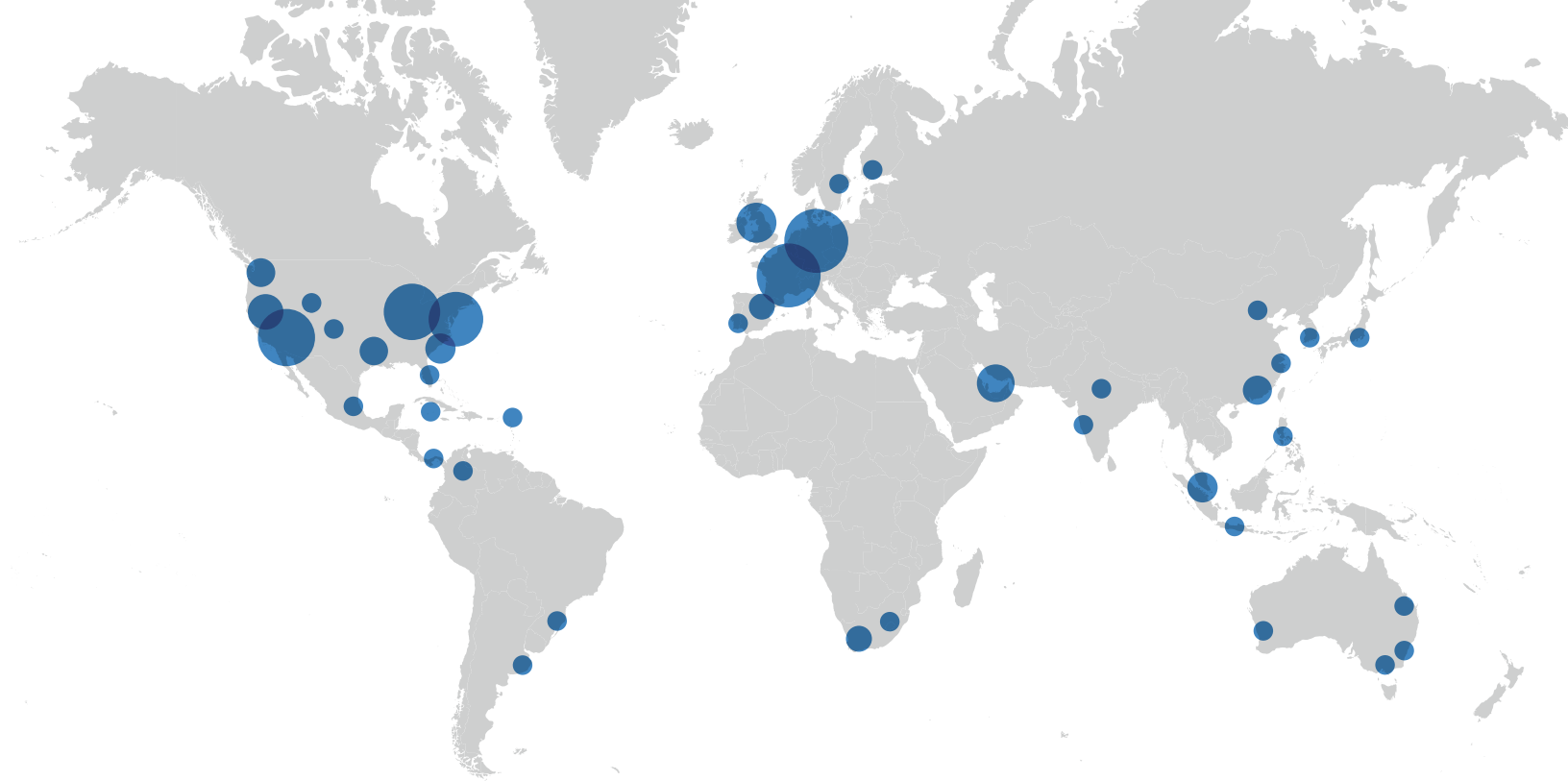
OUR ROLE

In its capacity as financial advisor, FTI Consulting advised and represented the Noteholder Group in connection with a potential refinancing, restructuring, recapitalization, reorganization or sale of all or a portion of the assets and/or liabilities of the Company (a “Transaction”). Such services included:

- Conducting diligence and evaluating past financial performance of the Company.
- Assessing the Company’s operations and its future business prospects.
- Analyzing the Company’s financial projections and business plan and developing a view on said financial projections and business plan.
- Performing an enterprise valuation of the Company.
- Preparing specific analyses as required in connection with potential Transaction alternatives.
- Leading negotiations with the Company and its advisors in connection with a potential Transaction.

OUR IMPACT

FTI Consulting’s efforts helped facilitate a consensual restructuring of the Company’s outstanding convertible notes (approximately \$60 million) as well as certain other outstanding indebtedness of the Company. Among other things, the restructuring resulted in: i) an extension of the maturity of the convertible notes by more than two years, thereby substantially enhancing Company’s liquidity runway; ii) significant modifications to the Company’s corporate governance structure; and iii) flexibility in the capital structure to allow the Company to subsequently refinance certain 1st lien indebtedness and issue up to \$20 million of additional convertible notes.



EXPERTS WITH IMPACT™

With offices in every major financial center and every corner of the globe, we successfully serve our clients wherever challenges and opportunities arise.

Our clients include Fortune 500 corporations, FTSE 100 companies, global banks, major and local law firms and state and national governments and agencies in the U.S. and other countries. In addition, major U.S. and international law firms refer us or engage us on behalf of their clients.

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Countries

1982

Year Founded,
Publicly traded **NYSE:FCN**

8,000+

Employees Worldwide

64/100

Advisor to 64 of the top 100
Private Equity International
("PEI 300") firms

38/50

Advisor to 38 of the
world's top 50 bank
holding companies

98/100

Advisor to 98 of the
world's top 100 law firms

\$8.1B

Equity Market Cap*

83/100

83 of Fortune 100
corporations are clients

*Number of total shares outstanding as of July 18, 2024,
by the closing price per share on July 25, 2024.



The Five Segments of FTI Consulting

CORPORATE FINANCE & RESTRUCTURING

As a trusted partner to companies, Boards of Directors, investors, lenders and creditors around the world, the Corporate Finance & Restructuring segment is focused on delivering restructuring, business transformation and transaction solutions. Committed to our clients' success, our award-winning professionals address the full spectrum of financial, operational and transactional risks and opportunities across diverse industries. Included among our core strengths is providing expertise in guiding companies through the value-creation life cycle.

FORENSIC & LITIGATION CONSULTING

We provide the industry's most complete range of forensic, investigative, data analytic and litigation services. As an independent consulting firm, we have unmatched qualifications in all types of risk, dispute, investigations and litigation scenarios. We have extensive experience serving leading corporations, governments and law firms around the globe.

STRATEGIC COMMUNICATIONS

As a leading global communications consultancy with more than 30 years of experience advising management teams and Boards of Directors, we help clients communicate effectively to protect and enhance their business interests with key stakeholders. We have a comprehensive view of strategic communications with an integrated suite of services in financial communications, corporate reputation and public affairs in all the major markets around the world.

TECHNOLOGY

FTI Technology solves data-related business challenges, with expertise in legal and regulatory matters. As data grow in size and complexity, we help organizations better govern, secure, find, analyze and rapidly make sense of information. Innovative technology, expert services and tenacious problem solving provide our global clients with defensible and repeatable solutions. Organizations rely on us to root out fraud, maintain regulatory compliance, reduce legal and IT costs, protect sensitive materials, quickly find facts and harness organizational data to create business value.

ECONOMIC CONSULTING

A global standard bearer in economic consulting, we provide law firms, corporations and government agencies with sophisticated analyses of complex economic issues to assist clients in understanding the challenges and opportunities they face. Our Economic Consulting practice, including our subsidiary Compass Lexecon, is involved in a wide range of engagements that provide critical insight and expert testimony in legal and regulatory proceedings, strategic decision making and public policy debates. We also have deep expertise in securities litigation, M&A and antitrust, risk management, valuation and international arbitration.

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EXPERTS WITH IMPACT™

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FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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