

**Opportunity:****Cannabis Retail**

Location:

Greater Seattle Market

Business Offered At:

\$3,750,000

Sale Type:

Equity Sale

**Offered By:****AAI Real Estate**

819 S. 72nd Ave

Yakima, WA 98908

# Cannabis Retail

Seattle, WA

Confidential

Offering Memorandum

Single Outlet Cannabis Retail

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Unless stated otherwise, the underlying assets have not been appraised. The cost data provided in the financial statements, before depreciation is deducted, may be used as an approximate replacement cost but should be reviewed in due diligence process. If a value is included on the asset list, that value is the presumed fair market value of an equivalent asset. Additionally, the list was prepared at a specific point in time. The ordinary course of business will cause items to be added and disposed of, so any enclosed list of assets should be viewed as an approximation of the total assets of the business.

Inventory is assumed to be at cost. Management's estimate of value is accepted unless reasons exist to use another value, which will be noted. Real estate values, building leases, rental agreements, equipment leases and other commitments of the company are management's estimate and are assumed to be at market rates unless otherwise noted.

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## Confidential Offering Memorandum

Exclusively Offered By: **AAI Real Estate**

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The business available for sale is a privately owned cannabis retail shop in Seattle, Washington. The store is licensed with the State of Washington, City of Seattle and is a medically endorsed dispensary. The award-winning staff serves their customers with exceptional knowledge of the products and top tier customer service. It offers one of the deepest and most competitively priced selections of clean, pesticide-free cannabis products in the Pacific Northwest. This store is well known throughout the state for having an exceptionally curated product selection. The brand has been built upon an honest and simple concept: people helping people. With its thoughtfully designed and comfortable space and its team of well trained and dedicated experts, this store is known for creating an elevated shopping experience that shows in its customer loyalty. The business is perfectly suited to a buyer that is interested in taking the model and expanding to other locations.

The business is being offered for \$3,750,000. The store typically holds about 30 days of inventory, roughly \$150,000 - \$175,000 in wholesale value, on hand, which will be included in the sale. In addition, there is an ATM machine on the premises that is included with the sale.

The business was started in 2017 and is owned by two individuals. The primary operating owner is selling to focus on other interests and family. The other owner was primarily an investor and is interested in cashing out. The owner that is the primary operator may be willing to stay on for a transition period. The amount of time and compensation are negotiable.

The store is open 7 days a week.


The business has 17 staff members excluding the current owners. There are 4 managers, 2 shift supervisors and 11 sales consultants. Two managers and one shift manager are Certified Medical Cannabis Consultants.

The business has one of 58 licenses from the City of Seattle. The city is not expected to grant further licenses. The business is also only 21 Medically Endorsed stores in the city of Seattle. In addition, the State is NOT accepting new cannabis related licenses at this time. A purchaser will need to apply with the Washington State Liquor and Cannabis Board (WSLCB) prior to completing the transaction. More information is provided below.

This fully licensed business is an excellent opportunity for someone looking to get into the cannabis retail industry with few operational demands. It is also a great candidate for business already in the cannabis field looking to expand or gain the Medical Endorsement license.

Complete detailed information about the company is available with a signed non-disclosure agreement.

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## Business Summary

Industry	Cannabis Retail
Business	Not Disclosed
Location	Not Disclosed Seattle Area
Number of Employees	17
Years in Business	7
Website	Not Disclosed
Type of Sale	Equity / Stock Sale
Reason for Selling	Owner wants to pursue other opportunities and spend time with family

The Seller is offering the business as a Stock / Equity sale. There are several advantages to purchasing the equity rather than the assets of the business:


- Business licenses can be assumed
- Current contracts will be kept intact
- The business name has developed brand name and client recognition

## Key Numbers

Asking Price, Business*	3,750,000
Asking Price, Real Estate	0
<b>Combined Asking Price</b>	<b>3,750,000</b>
2021 Sales	4,943,834
2022 Sales	4,710,016
2023 Sales	4,291,476
2021 Seller's Discretionary Earnings	732,596
2022 Seller's Discretionary Earnings	640,620
2023 Seller's Discretionary Earnings	553,580
Inventory, Dec. 2023	199,716

\* The asking price includes inventory and an ATM

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## Suppliers

The business has numerous suppliers. A complete list will be provided for due diligence.

## Competitors

There are several competitors in the Seattle market. The store is a Medically Endorsed store, meaning it is licensed to serve medical cannabis patients. There are three Certified Medical Consultants on staff. Many retail locations in the greater Seattle market are not Medically Endorsed.

The business for sale is very competitive compared to the Seattle market. It has a broad product selection, excellent customer service and knowledgeable staff with little turnover of management and staff. Management has been with the company since inception and much of the staff has been with the company for years and are extremely knowledgeable.


## Licensing

The company holds one of only 58 licenses in the city of Seattle. Further licenses are not expected to be issued in the city. While there are 465 active licenses in the state, licenses are assigned by the municipality and cannot be moved to another municipality. Licenses are also assigned to a specific location, with stringent regulatory requirements for the location.

The business is also a Medically Endorsed store. There are 209 Medically Endorsed stores in the State of Washington, and only 21 Medically Endorsed stores in the city of Seattle.

A purchaser will need to apply for a license with the [Washington State Liquor and Cannabis Board \(WSLCB\)](#) prior to completing the transaction. The State of Washington is not accepting new cannabis-related licenses at this time. However, licenses can be assumed. More information on assuming a cannabis license and appropriate forms is located [here](#). Applications could take 30-60 days to process. A buyer will also want to understand the [Seattle licensing requirements](#). The application for the licensing should be done after due diligence and agreements have been signed due to the nature of licenses being public information.

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## Training

The current owners have provided significant in-house training to the staff over the years. Training topics include operations, purchasing, general cannabis training, specific product knowledge, customer service and leadership. The managers have now taken over most of the trainings. This has made the staff highly knowledgeable about the products and able to provide excellent customer service.

## Employees

The business has 17 staff members excluding the current owners. The owners spend little time in the business, and the day-to-day operations of the business can be run by staff. The business has very low staff turnover relative to the industry. All staff, which has not yet been notified, are expected to stay on after the sale. There are 4 managers, each have been with the company for several years.

### General Manager

The General Manager is a Certified Medical Cannabis Consultant. They have been with the company from the day the store opened in 2017 and has prior experience on the cultivation side of the cannabis market.

### Assistant Manager

The Assistant Manager is a Certified Medical Cannabis Consultant with a background in retail and restaurant management. They have been with the company since September 2019.

### Marketing Manager


The Marketing Manager started at the company as the Operations Manager in August 2018. They have a background in both traditional and digital marketing.

### Inventory Manager

The Inventory Manager has been with the company since June 2018.

There are two shift supervisors. Both shift supervisors have been with the company since 2020. One of them is a Certified Medical Cannabis Consultant. The sales consultants have been with the company on average since November 2021. A complete list of employees and current salaries and wages will be available for due diligence.

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## Business Financial Statements: 2019-2022 from Tax Returns, 2023 Company Prepared

Accounting Method: Cash	2019	2020	2021	2022	2023
1c Net Receipts / Sales	2,815,165	4,346,634	4,943,834	4,710,016	4,291,476
2 COGS	1,740,555	2,658,368	3,153,086	3,001,532	2,733,201
3 Gross Profit	1,074,610	1,688,266	1,790,748	1,708,484	1,558,275
5 Interest	61	269	235	416	78
<b>11 Total Income (Revenues)</b>	<b>1,074,671</b>	<b>1,688,535</b>	<b>1,790,983</b>	<b>1,708,900</b>	<b>1,558,353</b>
<b>27 Total Deductions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 Taxable Income</b>	<b>1,074,671</b>	<b>1,688,535</b>	<b>1,790,983</b>	<b>1,708,900</b>	<b>1,558,353</b>
31 Total Tax	225,681	354,592	376,106	358,869	327,254
<b>Income After Tax</b>	<b>848,990</b>	<b>1,333,943</b>	<b>1,414,877</b>	<b>1,350,031</b>	<b>1,231,099</b>

The business provided tax returns on a cash basis for the prior four years and company prepared financials on a cash basis year to date. The business files as a C corporation. Because the business is a cannabis business, ordinary business expenses are not allowed under Section 280E. This causes taxes to be very high. Income tax was included as a cashflow item. Income taxes in 2023 are estimated based on historical tax rates.

Sales grew significantly in 2020 and 2021. Much of the growth was due to government stimulus in the form of direct payments and rent forgiveness. Individuals also found they had less work and more discretionary time. Sales in dollar terms have declined since then. The number of transactions has remained stable, showing a stable customer base, while the volume per transaction has declined.

## Cost of Goods Sold Detail: 2019-2022 from Tax Returns, 2023 Company Prepared

	2019	2020	2021	2022	2023
Inventory Beginning of Year	131,019	119,525	146,051	177,778	169,380
Purchases	1,348,012	2,354,975	2,731,686	2,500,429	2,293,431
Amortization	2,000	2,000	2,000	2,000	2,000
Depreciation	16,781	1,770	1,769	1,770	1,770
External Theft	40	-	-	-	-
Insurance Expense	-	3,772	11,376	14,622	15,622
Janitorial	-	617	617	154	-
Materials and Supplies	545	-	-	-	-
Merchant Account Fees	7,832	-	-	-	-
NNN	-	3,949	4,349	5,174	-
Occupancy Costs	-	-	62,364	68,461	67,254
Payroll Expenses	265,123	197,357	192,896	186,447	216,265
Payroll Tax	-	18,422	17,328	17,156	-
Professional Fees	7,527	21,323	1,285	10,630	-
Rent Expense	36,490	25,091	48,947	54,383	-
Security	38,054	50,373	105,486	126,040	136,455
Traceability Software	6,657	-	-	-	-
Computer and Internet	-	707	1,021	1,223	-
Utilities	-	4,538	3,689	4,645	404
Inventory End of Year	119,525	146,051	177,778	169,380	169,380
<b>Cost of Goods Sold</b>	<b>1,740,555</b>	<b>2,658,368</b>	<b>3,153,086</b>	<b>3,001,532</b>	<b>2,733,201</b>

Details of cost of goods sold items from the tax returns and 2023 financials are shown in detail for disclosure and to note noncash flow items like depreciation and amortization. Depreciation and Amortization were not included in the company 2023 financials but were included here to estimate taxes.

## Other, Nondeductible 280E Expenses: 2019-2023 Company Prepared

	2019	2020	2021	2022	2023
Advertising and Marketing	31,175	3,894	2,313	10,226	3,184
Occupancy Costs	81,760	81,832	137,401	153,396	150,692
Bank Service Charges	9,035	14,343	13,508	14,249	13,289
Depreciation	35,508	16,904	1,769	-	-
Dues and Subscriptions	14,688	20,438	18,384	22,433	9,686
Donations	-	-	-	513	-
Interest Expense	13,877	10,096	-	-	-
Meals and Entertainment	-	206	-	405	42
Office Supplies/Expense	14,594	15,729	25,617	17,428	12,574
Employee expenses	2,796	6,715	12,464	11,739	6,778
Payroll Expenses	331,000	388,132	539,177	585,825	588,221
Contract Labor	575	-	-	200	-
Legal Fees	484	62,505	27,705	12,264	18,584
Accounting Fees	30,102	31,023	29,894	32,525	34,975
Professional Fees Consultants	4,800	1,660	-	10,630	4,245
Repairs and Maintenance	3,001	3,402	3,875	4,344	5,256
Tax Expense	21,030	31,016	43,014	42,007	36,178
Landscaping	3,806	2,627	4,008	6,885	4,648
Licenses	8,142	6,753	6,587	6,751	5,128
Remodel	-	3,978	587	-	-
Back Rent	123,281	-	-	-	-
Other Expenses	2,688	2,386	10,531	1,014	1,220
<b>Other Expenses</b>	<b>732,342</b>	<b>703,637</b>	<b>876,833</b>	<b>932,834</b>	<b>894,699</b>

On the tax returns, a total amount for nondeductible expenses was provided, but did not match the total in the company prepared financials. Company prepared information is provided here due to the level of detail provided.

## Discretionary Cash Flow: 2019-2022 from Tax Returns, 2023 Company Prepared

	2019	2020	2021	2022	2023
Taxable Income	1,074,671	1,688,535	1,790,983	1,708,900	1,558,353
Tax	225,681	354,592	376,106	358,869	327,254
Other Expenses (280E)	732,342	703,637	876,833	932,834	894,699
<b>Net Income before Adjustments</b>	<b>116,648</b>	<b>630,306</b>	<b>538,044</b>	<b>417,197</b>	<b>336,400</b>
<b>Adjustments for non-cash, non-recurring and owner's expenses</b>					
Interest, Depreciation, Amortization	68,166	30,770	5,538	3,770	3,770
Ownerr's Compensation	105,000	105,000	105,000	105,000	105,000
Donations	-	-	-	513	-
Meals and Entertainment	-	206	-	405	42
Back Rent	123,281	-	-	-	-
Additional ATM Fee Income	10,079	72,562	84,249	114,151	108,447
- Other Income / Interest	(61)	(269)	(235)	(416)	(78)
<b>Total Adjustments</b>	<b>306,465</b>	<b>208,269</b>	<b>194,552</b>	<b>223,423</b>	<b>217,181</b>
<b>Discretionary Cash Flow</b>	<b>423,113</b>	<b>838,575</b>	<b>732,596</b>	<b>640,620</b>	<b>553,580</b>

## Potential Cash Flow, change in Fed taxes: 2019-2022 from Tax Returns, 2023 Company Prepared

	2019	2020	2021	2022	2023
Taxable Income	1,074,671	1,688,535	1,790,983	1,708,900	1,558,353
Section 280E Expenses per Tax Return	713,895	699,869	811,362	866,332	894,699
Potential Taxable Income	360,776	988,666	979,621	842,568	663,654
Taxes (same rate applied)	75,763	207,620	205,720	176,939	139,367
Improved Cash Flow due to Lower Tax	149,918	146,972	170,386	181,930	187,887
<b>Discretionary Cash Flow at Lower Tax</b>	<b>573,031</b>	<b>985,547</b>	<b>902,982</b>	<b>822,550</b>	<b>741,467</b>

The information above was combined in order to show the cash flows of the company. The cash flows were then adjusted for one time items or owner related expenses in order to derive discretionary cash flows.

ATM fee income is included in the company financials in 2019-2021. The ATM was sold to another related entity in 2021. Revenues were recorded in both entities. Additional ATM revenue is from the other entity.

Should the federal government legalize cannabis, or change the tax regulations, the business could generate significantly more discretionary cash flow.

## Balance Sheet: 2019-2022 from Tax Returns, 2023 Company Prepared

Balance Sheet	2019	2020	2021	2022	2023
1 Cash	297,355	321,996	680,470	466,114	700,732
3 Inventories	119,525	146,051	177,778	169,380	199,716
10a Buildings and other depr. Assets	364,027	368,647	368,647	368,647	368,647
10k Accumulated Depreciation	196,991	213,895	215,664	230,433	215,664
10c Net Buildings / Fixed Assets	167,036	154,752	152,983	138,214	152,983
13a Intangible Assets	200,000	200,000	200,000	200,000	200,000
13k Accumulated Amortization	2,000	4,000	6,000	8,000	6,000
13c Net Intangible Assets	198,000	196,000	194,000	192,000	194,000
14 Other Assets	400,259	583,028	725,530	837,445	854,922
<b>15 Total Assets</b>	<b>1,182,175</b>	<b>1,401,827</b>	<b>1,930,761</b>	<b>1,803,153</b>	<b>2,102,354</b>
18 Other Current Liab.	136,948	199,989	402,385	283,668	409,819
21 Other Liabilities	152,055	-	4	-	-
22 Capital Stock	400,000	400,000	400,000	400,000	400,000
24 Retained Earnings	493,172	801,838	1,128,372	1,119,485	1,292,535
<b>27 Total Liabilities and Equity</b>	<b>1,182,175</b>	<b>1,401,827</b>	<b>1,930,761</b>	<b>1,803,153</b>	<b>2,102,354</b>


Balance sheets are per the tax returns and was company prepared in 2023. Depreciation and amortization were not accounted for in the company prepared balance sheets in 2022 or 2023.

The fixed assets consist of leasehold improvements, furniture and signage.

Other assets includes a loan to the company of \$844,921 that will be paid prior to the sale. The proceeds of the loan will be paid out to the current owners and is not part of the sale. The remaining \$10,000 are security deposits.

The business lease their retail store. The original lease was signed in 2016 for a term of 5 years with three 5 year options. The lease is a NNN lease with a base rent scheduled annually with base rates increasing 3% annually. The first extension option was agreed to, starting March 1, 2021. The initial base rate of the extension is \$14,500 per month, which increases by 3% annually on March 1 of each subsequent year. Base rent starting March 2024 will be \$15,845.

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The Seattle metropolitan area has a population of about 4.1 million, making it one of the largest metros in the United States. The region's population has grown 12.8% over the past decade, compared to the national benchmark of 5.5%. Seattle's population growth is expected to slow from the annual rate of 1.6% in the 2010s but is still expected to outpace the national growth rate over the coming years. Seattle's economy is also highly integrated with adjacent metros, which have a large share of workers commuting into the Seattle metro.

The information sector, often used as a surrogate for "tech" jobs, is highly concentrated in the region. It is the most significant contributor to the region's \$510 billion GDP, representing 22%. Nearly 150,000 work in this sector in the Seattle region. The industry has also seen the most significant job losses over the past year. With a high concentration of workers in tech-related jobs, Seattle has a large share of workers who report working from home. Nearly a third of the population works remotely.


GDP and employment growth should outpace the national average over the coming years. According to Oxford Economics, GDP growth between 2023 and 2027 is anticipated to average about 2.5% in Seattle. The information sector is expected to be the most significant contributor to this.

Seattle's cost of living is among the highest in the nation, though many move to the area from more expensive markets such as the Bay Area. Seattle's CPI growth has outpaced that of the country, reaching double digits in 2022 before starting to recover in 2023. Housing tends to be the most considerable expense. Seattle's households spend an average of about \$32,000 annually on housing. To keep up with this high cost of living, wages tend to be higher in the metro, with an average hourly wage close to \$40/hour, compared to about \$30/hour for the national benchmark. Median household income sits at around \$110,000/year, and nearly a quarter make more than \$250,000/year. For comparison, the national median income is \$77,000/year. Over the past five years, the median income in the Seattle region grew 64.9%, compared to the national benchmark of 46.9%. While there is a disparity in incomes, Seattle has one of the lowest poverty rates among large metros, at 8.6%.

Total employment sits around 2.2 million, with about 510,000 office jobs, 180,000 retail trade jobs, and 310,000 industrial jobs. Over the past year, industrial employment growth has been 2.4%, compared to 0.7% for office jobs and -0.5% for retail trade. Over the past decade, cumulative employment growth in the region was 21.2%, compared to 14.5% for the United States. The unemployment rate sits at 3.4%, compared to a 10-year average of 4.4%.

Unemployment in the City of Seattle in December 2023 was 3.5%. Unemployment in the State of Washington was 4.4%, and unemployment in the US was 3.7%.

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## DEMOGRAPHIC SUMMARY

Population	1 Mile	5 Mile	10 Mile
2023 Population	26,768	251,184	898,760
2028 Population	27,292	254,838	910,931
Pop Growth 2023-2028	2.0%	1.5%	1.4%
2023 Average Age	40	40	39
Households			
2023 Households	12,370	111,547	398,202
2028 Households	12,562	113,085	403,169
Household Growth 2023-2028	1.6%	1.4%	1.3%
Median Household Income	\$116,722	\$101,485	\$107,532
Average Household Size	2.0	2.0	2.1
Average HH Vehicles	1	1	1
Housing			
Median Home Value	\$732,489	\$697,053	\$742,548
Median Year Built	1967	1974	1970




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3/5/2024

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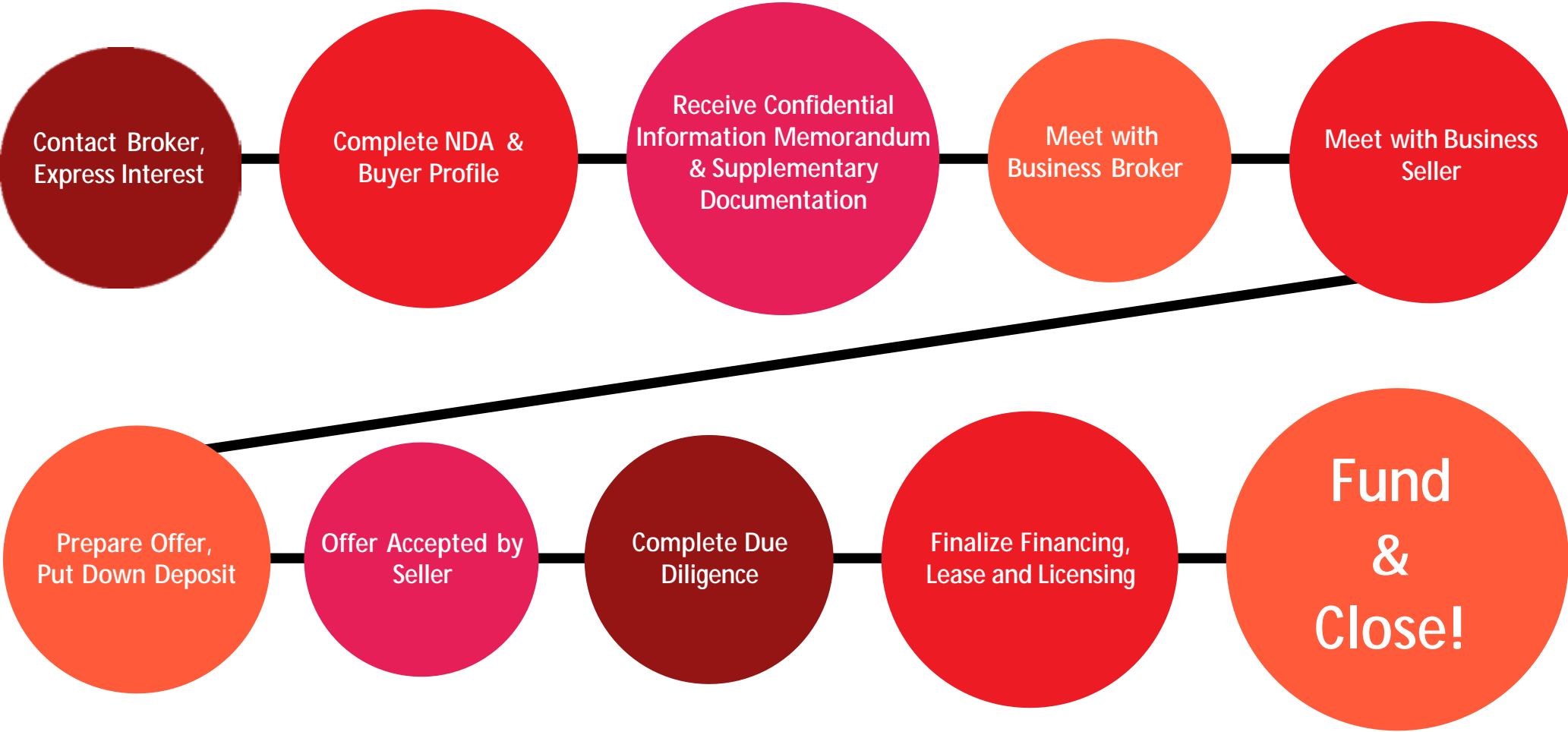
## Financing Options

Seller Financing Offered?	TBD
Financing Amount Offered	TBD

The seller may be willing to provide seller financing depending on the offer and circumstances.

## Potential Return

<b>Business Offer</b>	<b>3,750,000</b>
2023 Discretionary Cash Flow	553,580
2023 Potential Cash Flow, Fed Legalizes	741,467
Cash / Cash Return, All Cash Offer	14.76%
Cash / Cash Return, All Cash Offer, Fed Legal	19.77%



AAI Financial Group (AAIFG) is our dedicated capital advisory arm that specializes in assisting clients to obtain financing for commercial properties. We are committed to providing superior capital market expertise, precisely managed execution, and unparalleled access to capital sources providing the most competitive rates and terms.

We utilize our relationships with commercial banks, life insurance companies, CMBS, private and public debt/equity funds, and agency lenders to provide our clients with a wide range of financing options.

Our dedicated, knowledgeable advisors work to understand you and your goals, gather all of the documents required, provide advice and manage the process from beginning to end while overcoming the challenges of financing.

## Team

Dedicated back-office support team to focus on real estate and financing transactions.

## Capital Access

Access to local, regional and nationwide lenders

## Efficiency

Company wide operating system servicing real estate and financing utilizing the same team of members throughout the transaction.