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step into a hipster cafe in Denver called Sputnik on an unorthodox mission.

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Two hedge-fund partners — monogrammed shirts, taut Windsor knots, cuff links — step into a hipster cafe called Sputnik on an unorthodox mission.

They are meeting a business consultant to discuss a way to boost share prices at one of their portfolio companies, which sells indoor garden kits for tomatoes, herbs, flowers and salad greens. Their idea is to tap into a new market, one they need to be discreet about for fear of blemishing the publicly traded company's reputation:

Marijuana.

Similar meetings have been taking place across Colorado in the two months since state voters approved a constitutional amendment allowing the adult use of recreational weed. The state has become a nucleus of the rapidly evolving marijuana industry, offering a glimpse at what life might be like if weed is legalized nationwide, with companies, entrepreneurs and investors maneuvering for a piece of the expected boom.

Dispensaries are handing out glossy prospectuses to lure investors. Luxury cannabis leisure magazines in the vein of Cigar Aficionado are promoting the industry and cannabis tourism. Companies are jostling for various sectors of the market, from grow lights to point-of-sale systems. And marijuana growers are shedding the pothead vibe to sell their services to MBAs, who may have the capital to get started but not the arcane knowledge required to produce good weed.

The hedge-fund partners from Lazarus Management Co. are among the new breed. They have come to Sputnik to talk to Ean Seeb, a consultant specializing in marijuana.

“In the past you had a bunch of marijuana enthusiasts with little or no business

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In Colorado, sellers of medical marijuana must go through a background check, pay between \$15,000 and \$20,000 a year in licensing fees and submit to regular inspections by the state. Every plant is tagged and numbered, from seed to sale. No such system exists in California.

Seeb and his partners have run a dispensary for medical pot since 2009, and they know the key players in Colorado and how to get licensed. They tapped that expertise to start consulting in 2011. Their first client was a 97-year-old Denver institution, Central Bag and Burlap, which wanted to provide packaging for pot shops and marijuana edible products.

“We helped them create their name, their logo, their product line, the initial marketing,” Seeb said. “They are now the premier packaging supplier for the industry in Colorado.”

Other businesses are hoping the new law will spur even more growth. Toni Fox, owner of 3-D Denver's Discreet Dispensary, is seeking investors. She printed a company prospectus the moment Amendment 64 passed.

With \$500,000, Fox could build grow rooms in a warehouse next door and buy another dispensary in the mountain town of Buena Vista. She expects to produce 75 pounds of marijuana a month, worth well over \$300,000 by 2014, when businesses will get the first licenses to sell recreational pot.

It hasn't been easy to get this far. Banks don't give loans to dispensaries because they are illegal under federal law, so Fox and her husband sold the assets of their commercial landscaping business — as well their boat, a motor home, her Mercedes-Benz and his Hummer — and invested it all in the dispensary. They spent \$300,000 in construction costs before she could even get her certificate of occupancy and state license.

Last year, their net income was \$17,040. But they see a big boost coming, with a rise

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"I am the closest dispensary to the airport," she said.

The giant caveat hanging over this new marketplace is how the Justice Department will react.

President Obama signaled early in his first administration that prosecutors would not go after medical marijuana users, which all but launched an industry in California and, to a lesser extent, other states. Then in 2011, U.S. attorneys around the country began a campaign of raids, civil suits and prosecutions to rein it all back in.

After marijuana legalization measures passed here and in Washington state in November, Obama said in a television interview that it "would not make sense for us to see a top priority as going after recreational users in states that have determined it's legal."

This comforted some, but users have generally not been the targets of the crackdowns. The sellers have been.

Even without a full crackdown, Colorado is affected, stuck in a kind of half-Prohibition. Purveyors of marijuana can't get bank accounts, loans or institutional investors. They have to file tax returns under a provision targeting drug traffickers, which prohibits them from deducting routine expenses such as payroll.

When Wanda James founded her company Simply Pure, producing high-end marijuana-infused foods, she thought she could avoid the gray areas. She was a well-connected political consultant who was on Obama's national finance committee in 2008 and also a restaurateur with her husband, a chef.

In 2010, Simply Pure began producing high-quality soft candies, olive oil, banana bread, marinara sauce, mango salsa. Over 120 dispensaries sold the products on a regular basis.

But last July her bank closed her accounts. She could have lied about what the

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from a bong, but you might see her taking a bite of a peppermint cup.”

Back at Sputnik, Seeb listens to the hedge-fund partners. Leery about the stigma of marijuana, they ask to withhold their portfolio company’s name from this article.

Managing partner Justin Borus asks Seeb if he sees a market for the indoor grow kits. “And if there is a market for this, where should these things be sold? Should they be sold at Bed Bath & Beyond? Should they be sold at dispensaries?”

Borus and his partner wonder if someone like Seeb might want to join in as a sister marijuana company — getting the word out that these devices work for pot, selling the seed kits and giving online training that customers might want.

Borus’ partner, who did not want to give his name, said the company would probably not want to market directly for marijuana use. “But there are probably some fun ways to do it with a wink and a nod,” he said. “They say, ‘Marijuana? We have nothing to do with marijuana. But you might go online and check out this company that might just have seed kits that fit perfectly into our device.’”

Seeb was on board. Last week, he and his partners went to the company’s headquarters for their first meetings.

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