

Where to Find Funding for a Cannabis Business

With limited funding options, almost no loans available and countless new cannabis businesses emerging every day, where does an entrepreneur go for capital?

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The following article is based on excerpts of Javier Hasse's book Start Your Own Cannabis Business. Buy it now from Amazon | Barnes & Noble | IndieBound

Finding financing for a business is never easy. Even when small business loans are accessible, loan payments and interests can often be an unbearable burden for a startup.

Now, if finding money for a regular business is hard, getting a cannabis business funded is a lot more difficult. Despite the increasing number of financial institutions servicing the cannabis industry, credit is still very rarely available for marijuana businesses.

"Getting funding for a cannabis business presents very unique challenges because you can't just get an SBA, or small business loan, and banks are not going to lend money to you either," Super Bowl champion and cannabis entrepreneur Marvin Washington told me during an interview for my book with Entrepreneur Media, *Start Your Own Cannabis Business*.

"Unless you are migrating, leaving your career at Wall Street or Silicon Valley – which a lot of people have done, and have a nest egg, you will have to go through non-traditional routes

to get your financing,” he noted.

So, where exactly does an entrepreneur turn to for funding? Let’s explore some important topics related to getting your cannabis cash in place.

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Seed capital and Series A raises

Your first (or seed) capital round will, more likely than not, be completed with money from family and friends or personal savings prior to your market debut. Understanding that this limits your options, this is the reality of the industry nowadays, since traditional funding options for cannabis startups can be hard to come by. However, there are some financial institutions willing to chip in on seed capital rounds; we’ll look into them in the next section in this article.

The second (or Series A) round will possibly attract professional, third party investors and happen some time after your launch, after you have managed to accumulate a few pilot customers or regular customers.

“A seed round is aimed at building a product, service or technology; and getting some early traction, typically in the form of beta or pilot customers,” Viridian Capital Advisors President Scott Greiper explains. “This will help you establish some reference cases. Investors will want references from clients in the future.”

“A Series A round is for moving into normal operations and your initial scale-up: hiring more people, broadening your product line, ramping sales and marketing efforts, coming up with more distribution agreements, maybe even some initial PR, so you can get some articles, press releases and visibility.”

One final thing to notice is: while family and friends will take common stock from your company in exchange for their hard-earned money, professional investors will most often look for some kind of additional benefit.

“Early stage investors investing in startup companies typically invest in preferred stock. It’s not common stock, which gets the to sit with every common shareholder; they have certain special rights like a dividend payment, interest payment ...” Greiper adds. “So, the early-stage entrepreneur should be raising his or her first tranches of capital in the form of equity and is likely to see preferred equity as the first type of professional money that is being offered.”

Before going into the diverse funding alternatives available, we want to remind you to be careful with the way in which you choose to finance your company, to get comfortable with the fact that its valuation will be determined by others, and to reconcile with the idea of going to your friends and family for the first round of capital.

Related: Why Your Cannabis Business Is Failing, and How You Can Fix It

Funding alternatives

Taking into account that banks and traditional financial institutions tend to not offer loans to cannabis businesses for the time being, many cannabis entrepreneurs fall back on family members and friends for seed capital – and this is probably the way to go at first. Nonetheless, not everyone is surrounded by affluent people willing to make risky investments. And, even among those who are, many would rather not mix their personal and professional lives.

Bellow you’ll find some other common funding alternatives for the cannabis industry, which might either come in handy when raising seed capital or when looking for additional funds for

your business after a friends and family round.

Not every one of them will be right for your business, though. The type of business you are trying to finance and the way you do it are intrinsically intertwined. So, here are the main types of investors pouring money into the cannabis industry:

- Family Offices
- Cannabis specific funds (and a couple hedge funds)
- Angel investors
- High net worth individuals
- Musicians, athletes and other celebrities
- Business accelerators and incubators
- Industry-specific holding companies

Some of the most notable institutional investors in the cannabis industry are:

- Ackrell Capital
- Benchmark Capital
- Canna Angels
- Casa Verde Capital
- Floris Funds
- Founders Fund
- Green Growth Investments
- Greenfield Capital Partners
- Ground Zero Ventures
- Halley Venture Partners
- Hamilton Investment Group
- Hypur Ventures
- Liquid2 Ventures
- Mazakali
- MedMen
- Merida Capital Partners
- Navy Capital
- Phyto Partners
- Poseidon Asset Management
- Privateer Holdings

- Salveo Capital
- The ArcView Group
- Tress Capital
- Tuatara Capital
- Viridian Capital Advisors

Related: How Will Businesses Handle Legalized Marijuana in the Workplace?

Learn a lot more about financing in the book *Start Your Own Cannabis Business: A Step-By-Step Guide To The Marijuana Industry*.

Listen to a discussion about raising capital and other challenges cannabis businesses face in Benzinga's daily trading show hosted by prop trader Dennis Dick and former floor trader Joel Elconin PreMarket Prep show from April 20.

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