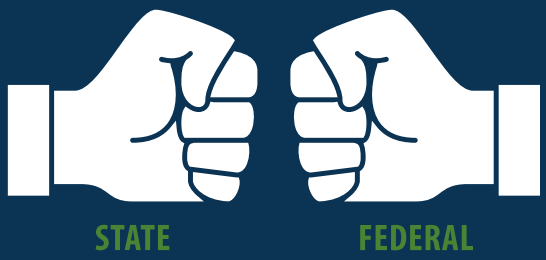
Banking The Cannabis Industry

THE PROBLEM



On November 8, 2016, California voters passed Proposition 64, legalizing the use of recreational cannabis. However, the use, possession and sale of cannabis remains a federal crime.

The federal government still considers marijuana a Schedule I drug under the Controlled Substances Act. As a result, banks and other financial institutions generally refuse to provide services to cannabis businesses.

70% | **OF MARIJUANA-RELATED BUSINESSES DO NOT HAVE BANK ACCOUNTS.**

(Source: Marijuana Business Daily Survey, December 2015)

$6.64B

PROJECTED INCREASE IN CANNABIS SALES IN CALIFORNIA BY 2020

(Source: Arcview Market Research, August 2016)

PROP 64 IMPOSES A 15% TAX ON THE RETAIL SALE OF CANNABIS

By taxing cannabis, California is expected to bring in an estimated $1 billion in new tax revenue.

(Source: Legislative Analysts Office)

The standoff between State-Federal Law causes the following problems:

State Cannot Fulfill the Will of the People

57% of voters approved the recreational use of cannabis.

Tax Revenues May Be Difficult to Collect

Prop 64 is projected to generate billions in new revenue that would be used for social and medical programs, cannabis research, educational programs, and much more.

Increase in Crime

Large amounts of cash make cannabis businesses targets for violent crimes.

"WE SHOULDN'T BE FORCED TO CARRY (CASH) AROUND IN DUFFEL BAGS."

AARON SMITH, EXECUTIVE DIRECTOR OF THE NATIONAL CANNABIS INDUSTRY ASSOCIATION

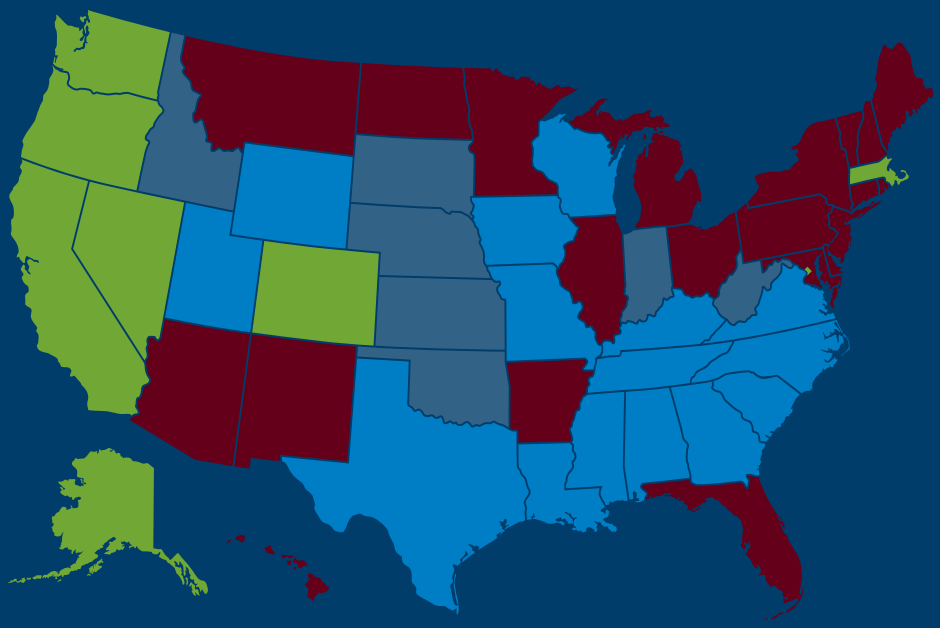
The Denver Post, 'Bipartisan marijuana banking bill introduced in U.S. Senate

THE SOLUTION

State Treasurer John Chiang has convened the Cannabis Banking Working Group. The group has been directed to produce actionable solutions on how to implement Proposition 64 and address the conflict between state and federal law.

Cannabis Banking Not Only A California Problem

Finding a Solution to a National Dilemma



Recreational Use

Alaska
California
Colorado
District of Columbia
Massachusetts
Nevada
Oregon
Washington

Medical Use

Arizona
Arkansas
Connecticut
Delaware
Florida
Hawaii
Illinois
Maine
Maryland
Michigan
Minnesota
Montana
New Hampshire
New Jersey
New Mexico
New York
North Dakota
Ohio
Pennsylvania
Rhode Island
Vermont

Limited Medical Marijuana*

Alabama
Georgia
Iowa
Kentucky
Louisiana
Mississippi
Missouri
North Carolina
South Carolina
Tennessee
Texas
Utah
Virginia
Wisconsin
Wyoming

Source: National Conference of State Legislatures, Nov. 9, 2016

**Limited medical marijuana includes cannabis extracts that are high in cannabidiol and low in tetrahydrocannabinol.*

The following organizations will comprise the Treasurer's working group:

- The California Bankers Association
- California Community Banking Network
- Credit Union League of California
- California Board of Equalization
- California Employment Development Department
- California Franchise Tax Board
- California Department of Business Oversight
- California Business, Consumer Services and Housing Agency
- Bureau of Medical Cannabis Regulation
- Financial Crimes Enforcement Network (A U.S. Treasury Department sponsored organization to created combat financial crimes. Includes: FBI, DEA, DOJ)
- California Department of Justice
- California Growers Association
- California Cannabis Industry Association
- California State Association of Counties
- California League of Cities*

*Invited