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Adherence
 Consulting

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Regulatory and Financial Compliance for Cannabis Industry Businesses and Licensees



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CEOCFO: *Mr. Owens, would you tell us your focus at Adherence Consulting?*

Mr. Owens: The focus here at Adherence Consulting is regulatory and financial compliance for businesses and licensees in the marijuana or cannabis industry. Adherence has innovative software that employs an iPad App to answer more than 300 regulatory compliance points per license. Adherence supports both Medical and Recreational licensees for stores, cultivation centers and infused producers. We started in Colorado about nine months ago and have delivered more than 240 audits in Colorado to date. We are expanding to Washington, Nevada, Oregon and Illinois in the immediate future. We also pre-qualify marijuana businesses on regulatory and financial compliance for our banking partners. We review several areas of compliance and provide our banking partners with a monthly dashboard of overall compliance and risk - both at the license and enterprise or business level.

CEOCFO: *What are you looking at or for when you perform audits that perhaps others do not realize should go into the mix?*

Mr. Owens: Our audit process includes Federal, State and Local rules and regulations and a 300-point compliance inspection per audit. We also provide the industry's first compliance score - a statistical ranking of a license in terms of other licenses for comparison purposes. Our clients have the privilege of selling, cultivating or manufacturing marijuana, and to do so they must remain fully compliant. At the Federal level, Adherence includes EPA, OSHA, Department of Agriculture, IRS rules and regulations and more. No one in the marijuana industry has a more detailed and thorough audit process. Adherence's is fully automated and clients receive a Detailed Compliance Report, or DCR, for each license evaluated. Our DCR serves as an actionable report to use to correct and improve overall compliance. We also perform inventory reconciliation between POS and State-mandated inventory tracking systems. If the inventory is not correct, the entire foundation of the business is at risk of immediately closure. Colorado is now performing regulatory and financial audits at the State-level. Our auditing process allows marijuana businesses to assess overall risk and reduce costly fines and hearings.

CEOCFO: *I understand there are different regulations. Do they change often for a given geography and how do you stay on top of changes?*

Mr. Owens: Every month or two we have new regulatory guidelines - from Federal, State and/or Local authorities. Adherence reviews all compliance updates in detail and updates our question list every month. If there is a new requirement or regulation for labeling & packaging, Adherence will ensure it is included in audits immediately. Business owners do not have the time to review and analyze 300 or more compliance points or stay on top of all the new regulations. Adherence's process does this and more for our clients. We can do the heavy lifting and our clients can perform corrective actions to improve.

CEOCFO: *How do the people find Adherence?*

Mr. Owens: Client referrals are our lifeblood. We do not do much advertising at present. We have clients in Colorado, Nevada, Washington and now the East Coast, soon to be Hawaii. We serve two types of clients - new businesses and established players. Often clients are in some sort of regulatory problem or situation when they call us. Adherence has been very successful in helping our clients avoid closure, work with regulatory authorities and show "good faith". For new businesses, we ensure they start off on the right foot with accounting, Operations Guides and compliance.

CEOCFO: When you do an audit, are you able to help clients work on solutions or find people to help them with solutions?

Mr. Owens: Adherence Consulting is a complete solution provider for the marijuana or cannabis industry. We utilize proprietary software from Adherence Information Management, a partner company, to perform regulatory and financial audits. The auditing solution is fully automated. If there are compliance issues, Adherence Consulting will come in and assist as needed. For a client with many infractions, we will put together a 'solution roadmap' for our clients to become fully compliant. The goal is zero infractions. We want our clients to sleep better at night. Adherence provides all the solutions our clients need to be successful in regulatory compliance.

CEOCFO: How do break through the clutter so people can understand what you are offering?

Mr. Owens: There is quite a bit of clutter out there, especially with marijuana license owners starting consulting and compliance companies. Would you trust your competitor with your compliance? I would not. Additionally, many 'consulting' companies have charged hundreds of thousands of dollars to new businesses trying to get licenses in this industry. Many have side deals with licensees on share of revenue if they get the license. Imagine paying \$100,000 up front for an application fee and then, if you are awarded a license, the consulting company gets a % of your license revenue for life. Adherence does not operate in this manner. We focus on regulatory and financial compliance, with inventory as the foundation. We believe compliance is the most important area of focus for this burgeoning industry. We are starting to get measurable traction and have many satisfied clients. With banking, many solution providers are kiosk- or security-focused. A kiosk or security company is not going to make your business compliant. What's needed is an effective monitoring program with real metrics on regulatory and financial concerns. Adherence has this program in place and many banks are very receptive.

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CEOCFO: How do you deal with the banking side?

Mr. Owens: Many of our clients need banking services. For our most compliant and highest scoring clients, we pre-qualify them for introduction to our banking partners. We sign non-disclosures with all of our banking partners. The effective banks are not advertising their services. They are diligently working behind the scenes to establish the compliance and reporting program needed to provide services to cannabis or marijuana business owners. Our banking partners need to deal with FinCEN, IRS, Banking Secrecy Act Obligations and other requirements. The primary concerns are money laundering and public health & safety. Adherence's program provides the bank with a client dashboard and matches inventory to revenue to deposits. More and more banks are reaching out to us. We hope it's only a matter of time until banking becomes more prevalent in this industry.

CEOCFO: What is ahead for Adherence Consulting?

Mr. Owens: Adherence will be expanding our consulting services and audits into additional states and establishing more banking partnerships. We are very excited about the addition of our new COO, Ron Sigman. He is a former Marijuana Enforcement Division Criminal Investigator in Colorado, and is a wealth of knowledge, all based from practical experience. Adherence is moving into data visualization and other exciting technologies as well. Lastly, we will continue to align with the best providers in the industry. We are very much looking forward to the upcoming months.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

For more information visit: www.adherence-corp.com



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