



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** March 7, 2019

Staff Contact: Nancy Paulson, City Manager

Agenda Title: For Possible Action: Discussion and possible action regarding a request to acknowledge an application from Centuria Foods for State incentives through the Governor's Office of Economic Development (GOED). (Andrew Haskin, NNDA)

Staff Summary: Northern Nevada Development Authority (NNDA) will present an overview of Centuria Foods and its application for State incentives.

Agenda Action: Formal Action / Motion **Time Requested:** 15 mins

Proposed Motion

I move to acknowledge an application from Centuria Foods for State incentives through the Governor's Office of Economic Development (GOED).

Board's Strategic Goal

Economic Development

Previous Action

N/A

Background/Issues & Analysis

N/A

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? No

If yes, account name/number:

Is it currently budgeted?

Explanation of Fiscal Impact:

Alternatives

Do not acknowledge.

Attachments:

[Centuria Foods backup.pdf](#)

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Summary of Information for Economic Incentives for Carson City Supervisors

Meeting on March 7th, 2019

Business Name:	Centuria Foods
Business Category:	Manufacturer – Industrial Hemp Processing
Type:	New Manufacturer
Incentives Requested:	Sales and Use Tax Abatement; Personal Property Tax Abatement; Modified Business Tax Abatement
Number of New Jobs:	60
Average Wage:	\$31.35
Equipment Investment:	\$13,200,000.00
Estimated Annual Payroll:	\$3,942,160.00

February 13, 2019

Ms. Nancy Paulson
City Hall/201 N. Carson Street, #3
Carson City, NV 89701

RE: Sales & Use Tax, Modified Business Tax and Personal Property Tax Abatements
Centuria Foods, Inc.

To Ms. Paulson,

This is a notification of and a request for a Letter of Acknowledgment regarding Centuria Foods, Inc.'s application to the Governor's Office of Economic Development for Sales & Use Tax Abatement, Modified Business Tax Abatement, and Personal Property Tax Abatement for their operations planned in Carson City.

This will result in at least 60 new full-time jobs for at least five years. The company is planning to invest \$13,200,000 in capital equipment. The ten-year total economic impact is estimated to be \$215,440,951 and new tax revenue generated over ten years is estimated to be \$4,195,621.

We are under a statutory requirement to notify affected local governments prior to the public hearing where the application will be considered (NRS 360.757). We estimate the total Sales & Use Tax Abatement to be \$739,200; the Modified Business Tax Abatement is estimated to be \$106,962 which constitutes a 50% abatement of the tax due for 4 years; and the Personal Property Tax Abatement is estimated to be \$450,647 which constitutes a 50% abatement over 10 years.

A board meeting is scheduled to review this application on March 21, 2019 at 1:00 p.m. in Carson City, Nevada and via video conference to Las Vegas, Nevada. If you'd like to provide feedback about this project, we encourage you to attend this meeting and come forward during public comment.

Thank you for your attention and consideration of this request. If you have any questions, please feel free to contact this office at your convenience.

Sincerely,



Melanie Sheldon
Program Manager
Governor's Office of Economic Development

December 29, 2018

Mr. Paul Anderson, Executive Director
Nevada Governor's Office of Economic Development
555 E. Washington, Ave., Suite 5400
Las Vegas, NV 89101

Dear Mr. Anderson,

I am writing on behalf of Centuria Foods, Inc., a wholesale manufacturer of CBD from industrial hemp. We are requesting and applying for the business and training incentives pursuant to the State of Nevada Incentive Programs.

We are contemplating setting up our manufacturing as well as our operational team in Northern Nevada (specifically around the Carson City area). It would be our first physical location in the United States as the team is currently a distributed team. It is currently a small virtual company in terms of personnel but we have been manufacturing for the past three years. We anticipate revenue to grow significantly in 2019 after our manufacturing facility and operational headquarters are launched.

We are looking at other locations in the U.S. including Colorado, California, Texas, Tennessee, New Mexico and Oregon. However, due to the light tax burden as well as assistance from the Northern Nevada Development Authority, we are starting to focus on establishing our manufacturing and operations headquarters in northern Nevada. The tax abatements offered by your office is one of the reasons for us to possibly setup operations in northern Nevada.

We expect to employ conservatively fifty people in northern Nevada within eight quarters from now and we will likely start hiring personnel in January 2019. We will hire as many people as possible locally though we will hire some personnel located in other areas of the U.S. and possibly outside the U.S. We expect at least thirty of our hires in the next two years will be local hires, if not more. We anticipate being a good community member since we expect to work closely with the NNDA as well as possibly farmers in the region as our operations grow.

Thank you for reviewing our submission and taking the time to review our application.

Sincerely,



Thomas Hicks
COO

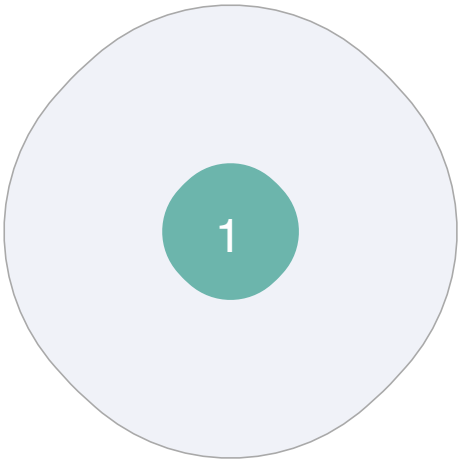


Centuria Foods, Inc.

The Only Legal and
Industrial-Scale CBD Producer

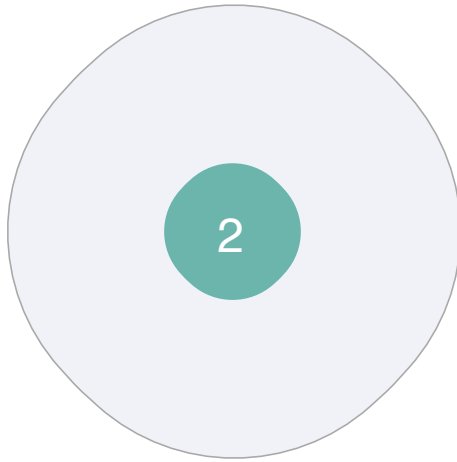


Lowest hemp costs in the industry plus processing know-how makes us the most efficient CBD producer



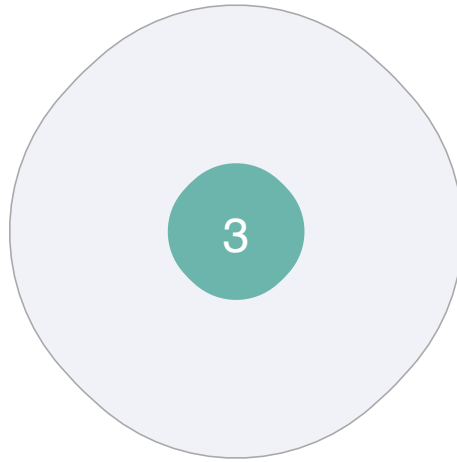
The only 100% U.S. federally-legal CBD producer

Reviewed and approved by US Customs, Homeland Security, Border Patrol, etc.



We are able to extract CBD from the stalks

Acquired as a waste stream.



Proprietary IP enables industrial-scale production

With the lowest industry costs by an order of magnitude.

Centuria's Business



CBD

Opportunity Overview

Centuria is the only legal CBD producer in the larger nutraceutical market

No psychoactive effects

The CBD molecule has no psychoactive effects compared to THC, both of which are derived from the cannabis plant. Centuria uses industrial hemp, which is cannabis, but must contain no more than 0.3% THC.

THC is U.S. federally illegal

CBD is U.S. federally illegal unless produced within strict regulations.

CBD is a natural plant molecule

With a [growing list of researched health and wellness benefits](#) including pain relief, anxiety, inflammation, skin conditions, stress, insomnia, depression, and arthritis to name a few.

CBD is to grow to \$3B

CBD is to grow from \$300M in 2017 to \$3B in 2021 in the US.



Company Overview

Vertically integrated model

Powered by trade secrets that's created the largest and most efficient CBD producer in the world⁽¹⁾

Access to 13,000+ acres

As well as industry-advanced processing facilities

Third year of manufacturing high-quality CBD

In health and wellness market

Developed IP over last 10 years

To mass-produce CBD

(1) As measured by gross tonnage and cost of goods sold per gram

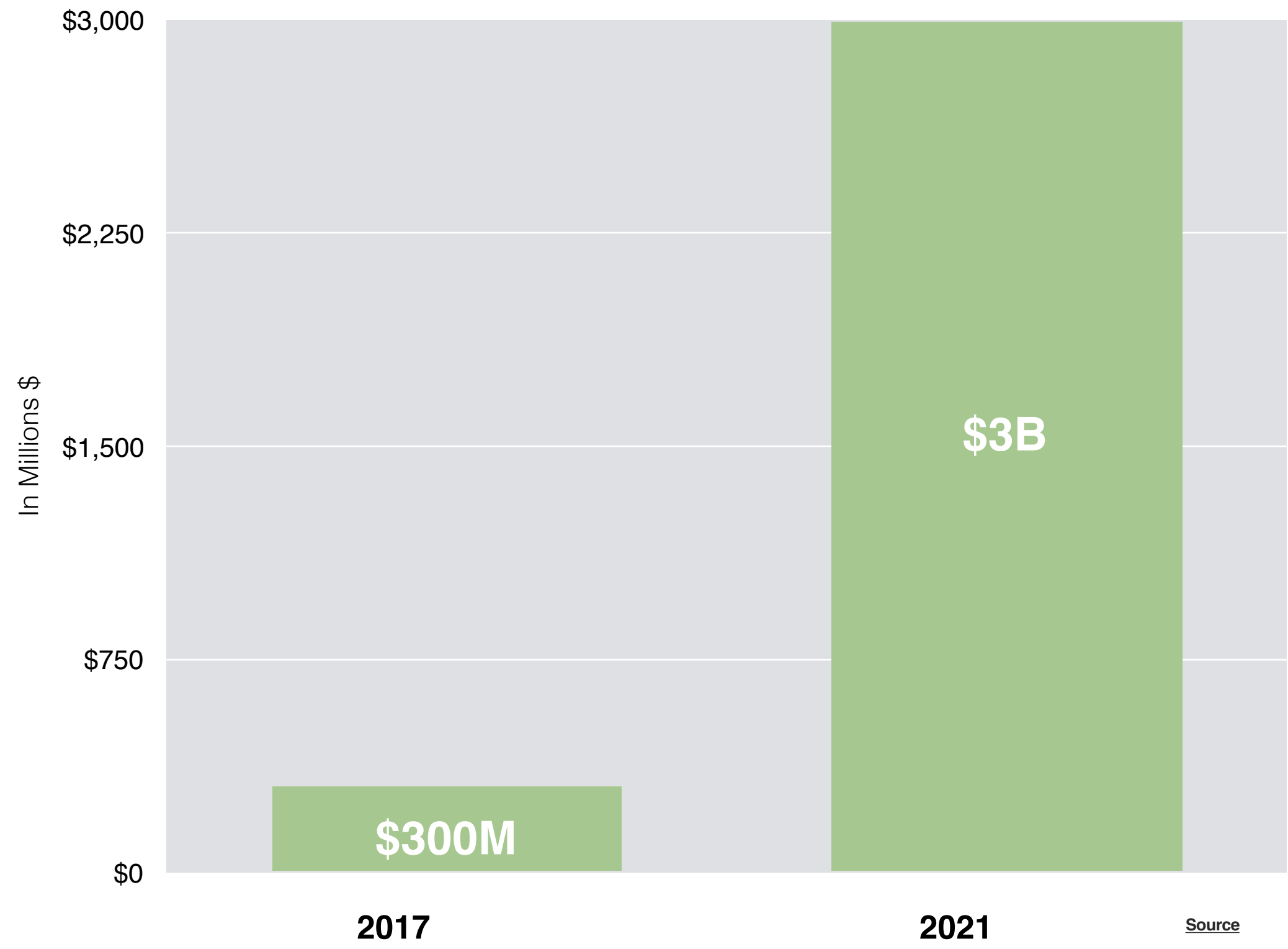
(2) Centuria can deduct all business expenses unlike other CBD and TCH businesses that can not due to IRS Section 280E which prohibits businesses subject to the Controlled Substances Act to deduct expenses.

(3) \$4.3M if using accrual accounting

(4) 53% gross margins if using accrual accounting

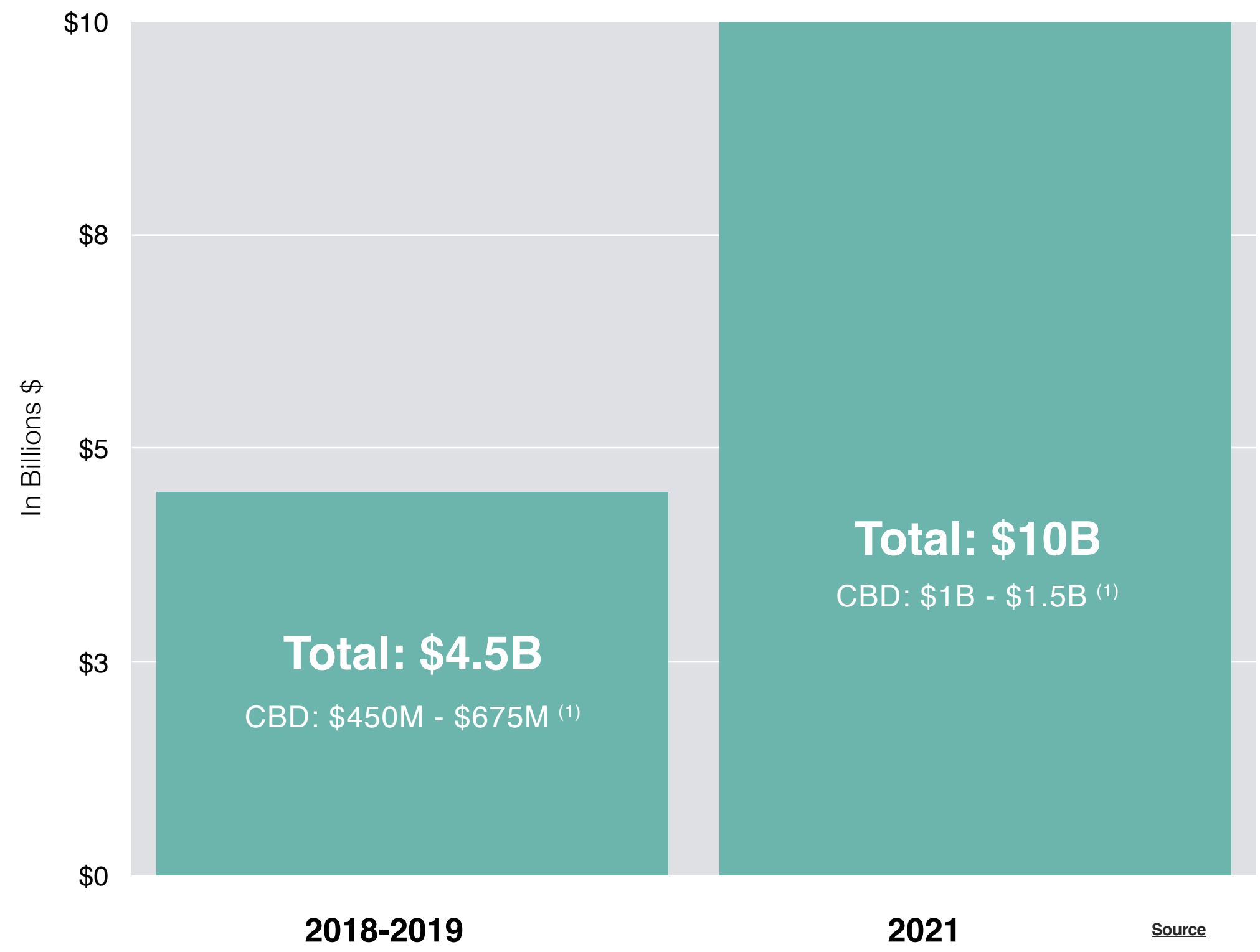
U.S and Canada CBD Growth

10x Growth in U.S.



Canadian CBD market to hit \$1.5B

(October 2018 legalization of THC and CBD)



(1) Based on CBD currently constituting approximately 10% - 15% of the combined Canadian THC and CBD market.



Michael Brubeck

CEO

Visionary with **15+ years** of **THC/CBD expertise.**

Deep understanding of cannabis consumer habits and strong operational sales background

Has done this before: employed contrarian approach to building medical marijuana (“MM”) businesses by focusing on scalability. This led to **first exit** in 2009. Again, but for CBD market now, employing contrarian approach based on low cultivation costs, IP and scalability.

Has a **history of turning around multiple unprofitable MM dispensaries to profitability** in 2000s (when the business and political climate for doing so were not favorable). Over 10 years perfecting CBD IP and processing, compliant with federal law.

Developed CBD know-how with research initiatives at universities in the US and Europe and government laboratories in South America.

Obtained **perpetual federal permit for industrial-scale importing of hemp**, becoming largest U.S. hemp importer (for CBD)



Thomas Ahn Hicks

COO

Twice cofounder and twice part of initial team.

Cofounded Tubi, Series C, **100+ employees, \$45M+ raised; #1 free TV/Movie app on app stores, top 99.99% of all apps in app stores**

With upfront payments as industry requirement, first to convince U.S. studios to sign revenue sharing deals for content with no upfront payments or guarantees. **Built largest collection of TV and movies (other than Netflix and Amazon).**

Led business development at Veetle, **20M monthly unique users** of live streaming platform.

CRO of vChatter; former Match.com founder's startup for group video chatting.

Cofounded Caachi, early paid downloading service for film festival movies and anime

IP and corporate attorney, Sun Microsystems, DLA Rudnick Piper

BA - University of Notre Dame; JD - Indiana University School of Law.

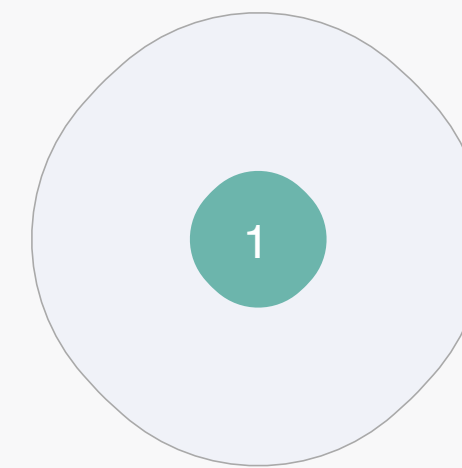


Team: Three employees (Michael, Slavik (sales) and operation manager); 4 contractors (QA/QC engineer, part-time digital marketing, and two part-time sales). Thomas just joined company.



Make an Impact

More Than a High-Growth Investment



Health

Improve wellness and alleviate pain with a natural curative with no known side effects.



Society

Make CBD mainstream. Focus on discovering health benefits vs criminal enforcement of cannabis.



Thank You

[Michael's Interview Video](#)



Michael Brubeck
mb@centuriafoods.com



Thomas Ahn Hicks
th@centuriafoods.com



CARSON CITY, NEVADA

CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

March 7, 2019

Paul Anderson
Executive Director
Nevada Governor's Office of Economic Development
808 West Nye Lane
Carson City, NV 89703

Dear Mr. Anderson:

At their March 7, 2019 meeting, the Carson City Board of Supervisors took action to acknowledge an application from Centuria Foods, Inc. for State incentives through the Governor's Office of Economic Development.

Please feel free to contact me if you have any questions or need additional information.

Sincerely,

Robert L. Crowell
Mayor

c: Andrew Haskin, Director of Business Development, Northern Nevada Development Authority

Robert L. Crowell, Mayor

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