INDEPENDENT ACCOUNTANT’S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To management of [ABC, LLC] and
Michigan Marijuana Regulatory Agency

We have performed the procedures enumerated below, which are prescribed by the Marijuana Regulatory Agency under Section 701 of the Medical Marihuana Facilities Licensing Act and were agreed to by management of the [ABC, LLC] (the licensee), on the financial records of the licensee and as of and for the year ended July 31, 2019. The licensee’s management is responsible for the financial records. The sufficiency of these procedures is solely the responsibility of the licensee and the Marijuana Regulatory Agency. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. Randomly select two (2) revenue sales transactions from the METRC system for each month of operation in the reporting period.
   a. Trace and compare revenue per METRC to underlying corroborating documentation.
   b. Trace and compare revenue per METRC to revenue recorded in the general ledger.

   Results: See the attached Schedule of Revenue for the transactions selected. No exceptions were noted [OR discuss exceptions noted].

2. Randomly select two (2) cash disbursements for each month of operation in the reporting period. Trace and compare the disbursement amounts and the period of service per the general ledger to underlying corroborating documentation.

   Results: See the attached Schedule of Expenses for the disbursements selected. No exceptions were noted [OR discuss exceptions noted].

3. Obtain the quarterly Form 941 payroll tax reporting.
   a. Trace and compare total wages reported on Form 941 to payroll expense per the general ledger.
   b. Trace and compare the tax liability amounts reported on Form 941 to tax payments remitted to the federal government, and trace and compare the tax payments to bank statements or other evidence that payment was remitted.

   Results: See the attached Schedule of Payroll Tax. No exceptions were noted [OR discuss exceptions noted].

4. If the licensee has 100 employees or less, randomly select five (5) individuals on whom the licensee performed a background check who were subsequently chosen as employees or contractors. If the licensee has more than 100 employees, randomly select 5% of the individuals on whom the licensee performed a background check who were subsequently chosen as employees or contractors.
a. Inquire as to whether the individuals selected are considered by the company to be employees or contractors.

b. For those that are employees, obtain and inspect the employees' W-2 form and document their title.

c. For those that are contractors, obtain and inspect the contractors' Form 1099, document their title, date of engagement, date of termination of engagement, and hours worked for the company.

Results: See the attached Schedule of Individuals for the individuals selected. No exceptions were noted [OR discuss exceptions noted].

5. Inquire of and obtain from management a listing of all equity owners of the licensee and their respective ownership.

   a. Identify and list all disbursements recorded through equity and compare the allocation of disbursements to the respective ownership interest of each equity owner of more than 10%.

   b. Identify and list all disbursements recorded through equity and compare the allocation of disbursements to the collective interests of equity owners of 10% or less. List the total number of equity owners, the date of each disbursement to those owners, and the total collective amount of each disbursement made to those owners.

Results: See the attached Schedule of Ownership and Distributions. No exceptions were noted [OR discuss exceptions noted].

6. In tracing the requirements for this procedure, all licensing agreements should be traced if there are no more than 5 licensing agreements effective at any time in the reporting period. If there are more than 5 licensing agreements effective at any time in the reporting period, randomly select 25% of the licensing agreements, but no less than 5 licensing agreements for each licensee.

   a. Trace and compare sales of the product(s) licensed under the licensing agreement per METRC to underlying corroboration.

   b. Trace and compare the licensing agreement payment terms with the amount paid to the licensor per the sales of the product identified in 6a.

   c. Trace and compare all payments made to the licensor during the reporting period to the findings of 6a and 6b.

Results: See the attached Schedule of Licensing Agreements for the licensing agreements identified. No exceptions were noted [OR discuss exceptions noted].

7. For provisioning centers only, obtain quarterly excise tax reporting for each calendar quarter for gross retail receipts from August 1, 2018 through March 6, 2019.

   a. Trace and compare the gross receipts reported per METRC for each quarter to the gross receipts reported to Michigan Department of Treasury (Treasury) for that respective quarter.

   b. Trace and compare the tax liability amounts reported to Treasury to the tax payments made to Treasury from tax receipts, bank statements, or other evidence that tax was remitted.

Results: See the attached Schedule of Excise Tax. No exceptions were noted [OR discuss exceptions noted].
This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American of Certified Public Accountants. The agreed-upon procedures do not constitute an audit or a review of financial statements or any part thereof, the objective of which is the expression of an opinion or conclusion on the financial statements or a part thereof. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

[Add any additional paragraph(s) to describe other matters.]

This report is intended solely for the information and use of [ABC, LLC], and the Marijuana Regulatory Agency and is not intended to be and should not be used by anyone other than those specified parties.

[Firm signature]
[City, State]
[Report date]