DISTRESSED ASSET RECOVERY CHECKLIST

30-POINT INITIAL SCREENING | CANNABIS CAPITAL & INFRASTRUCTURE · WEEK 2

Distressed doesn't mean worthless. But cheap doesn't mean recoverable. Assess both physical condition and whether the building can support competitive operating costs. Check each item when reviewed; flag unknowns for further diligence.

01 BUSINESS FAILURE & MARKET CONTEXT

- ☐ Identify why operations stopped: market, management, financing, licensing or facility costs.
- ☐ Confirm ownership, liens, title, site access and legal constraints.
- ☐ Verify zoning, permits, license status and transferability with qualified counsel.
- ☐ Assess achievable selling prices, market demand and realistic production volumes.
- ☐ Identify existing operating records and major information gaps.

02 HISTORICAL OPEX & PRODUCTION

- ☐ Obtain 12–24 months of utility bills and interval demand data, if available.
- ☐ Obtain 12–24 months of sellable production and room-utilization records.
- ☐ Calculate total energy cost per sellable pound and energy use per pound.
- ☐ Separate HVACD, lighting and other energy loads where metering permits.
- ☐ Review water, wastewater, treatment and consumables expenses.
- ☐ Review facility maintenance, service contracts, emergency repairs and staffing.
- ☐ Separate building-driven costs from cultivation, management and commercial costs.
- ☐ Compare actual operating costs with realistic future production and sales scenarios.

03 PHYSICAL INFRASTRUCTURE

- ☐ Inspect roof, structure, envelope, insulation, moisture intrusion and life safety.
- ☐ Inventory HVACD assets, condition, capacity, redundancy and service access.
- ☐ Review electrical service, distribution, peak demand and expansion capacity.
- ☐ Inspect controls, trend logs, alarms, integration and calibration.
- ☐ Review water source, rights, treatment, irrigation, condensate and discharge.
- ☐ Assess equipment maintenance history, remaining life and replacement lead times.
- ☐ Identify code, environmental and safety issues requiring specialist evaluation.

04 CAPEX & RECOVERY ECONOMICS

- ☐ Estimate immediate stabilization, compliance and safety costs.
- ☐ Forecast near-term replacement and deferred-maintenance CAPEX.
- ☐ Estimate restart downtime, carrying costs, permits and contingency.
- ☐ Model post-improvement facility OPEX and achievable production cost per pound.
- ☐ Test assumptions for yield, utilization, energy tariffs and selling price.
- ☐ Compare operate-as-is, targeted rehabilitation, major repositioning and exit.
- ☐ Assess alternative uses, utility reuse and conversion constraints.
- ☐ Evaluate total capital required against risk-adjusted cash flow and exit value.
- ☐ Document critical unknowns, evidence quality and next diligence actions.
- ☐ Record recommended follow-up inspections, budget quotes and accountable reviewers.

EARLY OPEX SNAPSHOT

Annual electricity cost:		Sellable pounds/year:		Electricity cost/lb:	
Annual facility maintenance:		Fixed monthly facility OPEX:		Current utilization:	

PRELIMINARY DISPOSITION

☐ **OPERATE AS-IS** ☐ **RECOVER** ☐ **REPOSITION** ☐ **PASS / HOLD**

Total capital required = Acquisition + rehabilitation CAPEX + carrying/restart costs + contingency. Compare with risk-adjusted future operating cash flows and alternative-use/exit value.

Critical unknowns / next steps: _____

Screening aid only—not a valuation, engineering certification, environmental assessment or investment recommendation. Verify material findings with licensed professionals and appropriate legal/regulatory advisers.