

Chapter Fifteen

Going Public and Other Exit Strategies

Once your dispensary and or cultivation facility has reached its optimal size and generates a sufficient cash flow to attract outside investors or buyers, the management has the ability to consider its options in removing their original capital and any upside they may have achieved through its successful operation. These options generally include:

- A. Selling the business outright
- B. Taking in partners in return for cash (not operating cash, but selling part of the business to them).
- C. Taking the company public

Selling the business is almost straight forward, but because it deals with a federally illegal substance, the purchase and sale agreement and all other accompanying documents must be crafted very carefully to avoid being challenged in a court of competent jurisdiction by either the government or by a dissatisfied purchaser. For those purchasing a cannabis dispensary or cultivation facility, a due diligence list is included in this chapter.

The realistic vision of cannabis entrepreneurs involved in "green dollars" is to grow their business into a self sustaining, profitable enterprise, and then sell it at a premium. Will it be sold to another entrepreneur or will Big Tobacco eventually take over? Don't look down at Big Tobacco – they may end up owning most of the dispensaries, and further down the road when it is recreational they have the growing ability, the distribution chain, and the manpower to create brand awareness. Only time will tell if this will remain a small independent business, or whether corporate money wins out.

Pricing to either sell the cannabis business or to value shares for a public offering is difficult because of a lack of comparisons. The finance arm (including bankers, angel investors, and organized funds) will not be lulled into another get quick Internet rich scheme where every public offering was essentially snapped up on speculation and then flipped for a quick profit. The valuations for cannabis businesses will be based on profitability, market share, historical accounting records, and growth potential in different markets. The forward looking purchaser realizes that national recognition of medical and recreational cannabis is simply a matter of time, which is approaching quickly as more and more states adopt regulatory schemes to legalize it and tax it.

Deciding on how to either monetize your investment or to sell it requires packaging for all options. Regardless of whether you choose any one of the three options mentioned above, any purchaser or investor is going to want to do due diligence, so the more complete and ready to hand off it is, the faster any sort of currency will trade hands. Due diligence

the information that a broker-dealer would be required to obtain from the issuer to publish a quotation for the securities under Rule 15c2-11 under the Securities and Exchange Act (the "Exchange Act) and (3) complies as to form with Pink OTC Markets' Guidelines for Providing Adequate Current Information. The letter must also identify the person responsible for the preparation of the financial statements.

3. FILLING OUT THE FORM 211 FOR TRADING ON THE PINK SHEETS

The Form 211 is copied below in its entirety. The majority of it is self explanatory, but other parts of it are more difficult to understand. The initial review of the Form 211 includes the following, but remember - much of it may be "NA" (not applicable).

Requirements for Initial Submission of FORM 211 pursuant to SEC Regulation 15C2-11

How to Organize a 211 application:

1. Provide 2 sets of due diligence documents in 3 ring binders as required for a 15c211 application.
2. Due diligence package and included information should include a Table of Contents with the use of tab sheet dividers for organizational purposes.
3. Each due diligence package should be divided in the order of the questions and information requested.
4. For all answers such as provided herein and/or attachments, list the title of the section that the information can be found and also state the page and paragraph number where it can be located.

Items required for all 211 applications:

Detailed description of the issuer's business, products/services offered, and source of revenue.

Description of facilities (location, square footage, type of space (office/factory/etc), and whether owned or leased.

Name of current Chief Executive Officer and members of the Board of Directors.

CUSIP number: _____

To apply for a CUSIP number contact the Cusip Bureau at: <http://www.cusip.com/> or US +1-2124386500

- Certificate of Incorporation with amendments
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