

HOW TO GET YOUR CANNABIS COMPANY LISTED ON THE OTC MARKET

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LET'S G R YOUR BUSINESS TOGETHER W

BECOME A PART OF OUR
GREENGROWTH
COMMUNITY

Our firm was founded in 2014, during the early days of the legal cannabis industry. That means we've been solving problems, uncovering value, and improving the financial lives of our clients since the very beginning.

50+ Cannabis Experts on our Team

Every one of our team members is a cannabis industry expert. There is no time wasted "getting up to speed." We hit the ground running with the latest industry insights and best practices in the cannabis space.

*Created the GreenGrowth Cannabis Index
(GGCI7 & GGCI25)*

Which Services Do We Offer?

- Audit & Assurance
- Tax
- Accounting & Financial
- Advisory
- IPO Services
- Outsourced CFO
- Business Systems Accounting & Finance Setup

Who Are Our Clients?

We serve more than 600 clients at every stage of the cannabis business lifecycle. By providing cutting-edge resources and strategies we're able to work with cannabis businesses in every vertical.

*Clients in every state with a
legalized cannabis market*

*Monthly Financial Insights Reporting on
Publicly Traded Companies*

Free Yourself from Tax Burdens

Let's get to work optimizing your tax approach.

1-800-674-9050

greengrowthcpas.com/get-started

Green
Growth || CPAs

Revenue Under
Management
\$750M+

1200+
live events

600,000+
views

1st ever Cannabis
CFO annual survey

30,000+
people reach

3,000+ educational
videos

4,300+
followers

Library of 500+
weekly articles

100+ Audit
Clients



How to Get Your Cannabis Company Listed on the OTC Market

When it comes to the US public markets, cannabis companies are not able to go public on traditional exchanges such as NASDAQ and NYSE.

OTC markets have become a place where most US cannabis companies get listed. In fact, almost all publicly traded cannabis companies are listed on OTC markets.

OTC market is a large marketplace with over 12,000 listed securities ranging from financial services, biotech, software, and even cannabis. The annual dollar volume amounted to \$713 billion in 2021.

It has become more and more popular among mainstream investors with over a [60% increase in 2021](#) in annual dollar volume.

Its main market OTCQX has a market capitalization of \$3.1 trillion, which makes it significantly larger than crypto.

In this educational guide, we will cover

- Benefits of Being on an Exchange
- Different OTC Markets that are Available
- How to Get Listed & On-Going Reporting Requirements
- Costs & Timeline

If you need help with taking your cannabis business public, performing an audit, or raising capital, then please reach out to us today via [our website](#) or give us a call at 800-674-9050.

Benefits of Being on an Exchange

First, it gives the opportunity to raise capital to fund new projects, expansions, diversifications, or acquisitions. It's going to also give supervision and control of trading protecting the small investor and giving security in the company.

Being listed on an exchange also reinforces liquidity by giving an opportunity to shareholders to realize their investment value.

The price is related to supply and demand, as well as the operations and the information given and received, are transparent. The company can also borrow from a financial institution easily when is favorably rated.

Lastly, exchanges allow companies to maintain more control and sovereignty because the people who get the shares of a corporation hold limited rights accessible to stakeholders.

Different OTC Markets

There are three different OTC Markets that you should know about prior to deciding which market you go with:

1. OTC Pink
2. OTCQB
3. OTCQX

Let's review in detail what are they all about analyzing their pros and cons:

OTC Pink

This is a massive open market network, it is the most unregulated out of the three options.

Pros:

- Free from regulation and influence;
- The requirements necessary to be able to be listed here are easy to meet;
- The market is massive;
- You can choose how much information you fill comfortable sharing.

Cons:

- There is an elevated risk associated with the OTC Pink, thus investors can be doubtful;
- Banks tend to decline to make investments in companies listed at the OTC Pink.

OTCQB

This market is designed to host the Venture Market.

Pros:

- The requirements necessary to be able to be listed are still easy to meet (not as easy as OTC Pink);
- There is more confidence than in the OTC Pink exchange;
- There is more transparency than in the OTC Pink.

Cons:

- Even though the risk is lower, there is still not enough confidence for some banks and investors.

OTCQX

In this market is where you will find the big corporations and multinationals.

Pros:

- Trades are still private and decentralized;
- This is the marketplace with the least amount of risk out of the three available;

Cons:

- Companies are subject to strict disclosure requirements and must demonstrate their integrity to investors;
- Must comply with US securities laws (a lot of companies end up being excluded)

Overall Requirements to be Listed & Methods of Going Public

OTC Pink

There are two types of tiers, “current information tier”, and “limited information tier”. We will first detail the initial requirements as well as the ongoing requirements.

Current Information Tier

- Companies that make the information described below publicly available on a timely basis (90 days after fiscal year-end for Annual Reports; 45 days after each fiscal quarter end for Quarterly Reports):
- Subscribe to the OTC Disclosure & News Service by submitting an OTCIQ Order Form
- Upload Quarterly Reports for Current Fiscal Year, Annual Report for Most Recently Completed Fiscal Year, Annual Report for Prior Completed Fiscal Year. All of them must include Disclosure Statement and Financial Reports listed below.
- Financial Statements: Financial reports must be prepared according to U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited. Required financial statements include:
 - o Balance Sheet
 - o Statement of Income
 - o Statement of Cash Flows
 - o Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
 - o Notes to Financial Statements
 - o Audit Letter, if audited
- Verified Profile: Verify the Company Profile through OTCIQ.
- Allow OTC Markets Group to process the posted documents (typically three to five business days) and provide any comments.
- If financial statements are not audited by a PCAOB registered firm, submit a signed Attorney Letter Agreement according to the instructions on www.otcmarkets.com
 - and upload an “Attorney Letter With Respect to Current Information” in accordance with the Attorney Letter Guidelines through OTCIQ

Pink Limited Information Tier

- Annual Financial Statements: Companies must upload the below financial statements for a completed Fiscal Year within the past 16 months. Financial reports must be prepared according to U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.
 - Balance Sheet
 - Statement of Income
 - Statement of Cash Flows
 - Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
 - Notes to Financial Statements
 - Audit Letter, if audited
- Verified Profile: The Company must verify the Company Profile through OTCIQ

Ongoing Requirements

- For **Current Information**, companies must:
 - Upload reports through OTCIQ on the following schedule:
 - Quarterly Report within **45** days of the quarter-end
 - Annual Report within **90 days** of the fiscal year-end
 - Attorney Letter within **120 days** of the fiscal year-end.
 - Maintain a Verified Profile. At least once every six months, review and verify the Company's profile information through OTCIQ.
- For **Limited Information**, companies must:
 - Upload reports through OTCIQ on the following schedule:
 - **Annual Report** (including the required financial statements outlined in Item 8) within 120 days of the fiscal year-end
 - Maintain a Verified Profile. At least once every six months, review and verify the Company's profile information through OTCIQ.

OTCQB

- Must have an audited annual financial statement in accordance with US GAAP or IFRS or an IFRS equivalent, as applicable, containing an audit opinion that is not adverse, disclaimed, or qualified.
 - Audits must be conducted by an auditor registered with the Public Company Accounting Oversight Board (PCAOB). International Reporting Companies are exempt from the PCAOB requirement. Regulation A Reporting Companies are exempt from PCAOB requirements for initial eligibility only; subsequent annual financial statements are required to have a PCAOB audit.
- Make current disclosure available pursuant to one of the following reporting standards:
 - **SEC Reporting Standard**
 - The Securities and Exchange Commission has different standards to fulfill regarding disclosure, it includes an annual report (Form 10-K) and quarterly reports (Form 10-Q). Lastly, you would need to complete Form 8-K to report certain specified events, such as:
 - A celebration or termination of a material definitive agreement, completion of an acquisition or disposition of assets, material modifications to rights of security holders, changes in control of the company, changes in your company's certifying accountant, etc.
 - **Regulation A Reporting Standard**
 - Regulation A is an exemption from registration for public offerings.
 - Regulation A has two offering tiers:
 - Tier 1, for offerings of up to \$20 million in a 12-month period; and
 - Tier 2, for offerings of up to \$75 million in a 12-month period.
 - The standards for disclosure for Regulation A are:
 - Form 1-A is the offering statement which includes the offering circular and other disclosure about the offering, this is mandatory for both Tier 1 and 2
 - Form 1-Z is the exit report that details the termination or completion of an offering. Mandatory for both Tier 1 and 2, but companies relying on Tier 2 can instead disclose this on Form 1-K,
 - Form 1-K is the annual report to be filed within 120 days after the end of the fiscal year that includes audited financial statements for the year, a discussion of the company's financial results for the year and information about the company's business and management, related-party transactions and share ownership, only mandatory for Tier 2,
 - Form 1-SA is the semiannual report to be filed within 90 days after the end of the semiannual period that includes unaudited interim financial statements and a discussion of the company's financial results for the period, only mandatory for Tier 2,

- Form 1-U is the current report to be filed within four business days of certain events including a fundamental change, bankruptcy, change in accountant, non-reliance on prior financial statements or audit report, change in control and departure of officers, only mandatory for Tier 2.
- **Bank Reporting Standard**
 - This is the reporting standard for a U.S. bank, U.S. bank holding company, U.S. thrift, U.S. thrift holding company or U.S. financial institution that is required to file period reports with its applicable Bank Regulator (the Federal Deposit Insurance Corporation (FDIC), Federal Reserve or Office of the Comptroller of the Currency (OCC)).
- **International Reporting Standard**
 - For Companies listed and current in their disclosure on a non-U.S. stock exchange that requires English language disclosure in accordance with IFRS;
- **Alternative Reporting Standard**
 - Companies that do not fall within the categories above may follow the Alternative Reporting Standard to make material information publicly available to investors
 - Alternative Reporting Companies are required to meet the corporate governance standards, having a board of directors with at least two independent directors and an Audit Committee with a majority of members that are independent directors.
- Have a minimum bid price of \$0.01. Keep in mind that The OTC Markets Group may consider some exemptions to this point
- Have a freely traded Public Float of at least 10% of the total shares issued and outstanding of the class of security to be traded on OTCQB. A Company applying to OTCQB with a freely traded Public Float above 5% but below 10% of the total shares issued and outstanding, and a market value of Public Float of at least \$2 million
- Must not be in bankruptcy or any renegotiations proceedings
- They must undergo an annual verification and management certification process
- A company incorporated in the U.S. or Canada must retain a transfer agent that participates in the Transfer Agent Verified Shares Program. The Company must authorize such transfer agent to provide to OTC Markets Group, upon its request, information related to the Company's securities.

OTCQX

All the same requirements as OTCQB plus the following:

- Not be a Shell Company
 - Shell corporations or Shell companies are entities that do not have active business operations but are set up to achieve specific business objectives;
 - “Shell Company” shall mean an entity (i) with no or nominal operations, (ii) with limited operations, if OTC Markets Group in its sole and absolute discretion determines such entity to be a Shell Company, (iii) with no or nominal assets, or (iii) defined as a “Shell Company” under Section 405 of the Securities Act.
 - For purposes of this definition, the term “nominal operations” includes, but is not limited to, operations with the primary purpose of avoiding classification of such entity as a Shell Company) or Blank-Check Company (development stage company that has no specific business plan or purpose or has indicated its business plan is to engage in a merger or acquisition with an unidentified company or companies)
- Not a Penny Stock
- Have a primary class of securities with proprietary priced quotations published by a Market Maker in OTC Link ATS with a closing bid price of at least \$0.01 a) on each of the 30 consecutive calendar days immediately preceding the Company’s application for OTCQB and b) as of the date OTC Markets Group approves its application to join OTCQB.
 - OTC Markets Group may consider an exemption if:
 - The Company is applying for admission to OTCQB in conjunction with an initial review for quotation eligibility;
 - There has been no prior public market for the Company’s securities in the U.S. and FINRA has recently approved a Form 211 relating to the Company’s securities with a bid price equal or greater to \$0.01; or
 - The Company’s securities are traded on a Qualified Foreign Exchange at a price equal to or greater than \$0.01.
- Submit a Letter of Introduction from an OTCQX Sponsor. An OTCQB Sponsor must be a firm already approved to sponsor Companies for the OTCQX market and published on the list found on <https://www.otcmarkets.com/corporate-services/otcqx-sponsors>.
 - The OTCQB Letter of Introduction must, in substance, make the following statements:
 - Sponsor Qualifications. The firm has been approved by OTC Markets Group to serve as a Sponsor for the OTCQX market and continues to satisfy the standards;
 - Qualified Foreign Exchange. Confirm that the securities are currently listed on a Qualified Foreign Exchange and have not been delisted, removed or suspended from the Qualified Foreign Exchange; and
 - Based on available information, the OTCQB Sponsor has a reasonable belief that the Company is in compliance with Exchange Act Rule 12g3-2(b) or, if the Company is not in compliance with Exchange Act Rule 12g3-2(b), the OTCQB Sponsor has a reasonable belief that the Company is not required to register under Exchange Act Section 12(g) and is current and fully compliant with the

obligations of a Company relying on the exemption from registration provided by Exchange Act Rule 12g3-2(b).

- Conduct annual shareholders' meetings and make annual financial reports available to its shareholders at least 15 calendar days prior to such meetings

Ongoing Reporting Requirements

- Audit annual financials in accordance with USGAAP or international reporting or alternative reporting companies. Audits must be conducted by an auditor registered with the Public Company Accounting Oversight Board (PCAOB). International Reporting Companies are exempt from the PCAOB requirement.
 - **SEC Reporting Companies** must file all reports required to be filed on EDGAR. If such SEC Reporting Company is not listed on a Qualified Foreign Exchange and is an annual SEC filer filing 20-Fs or 40-Fs, such Company shall also file a Form 6-K containing at minimum an interim balance sheet and an income statement as of the end of its second quarter, within six months from its second quarter-end.
 - **Regulation A Reporting Companies** must file all reports required to be filed on EDGAR.
 - **Bank Reporting Companies** must file, through the OTC Disclosure & News Service, all reports required to be filed with the Company's Banking Regulator including Quarterly Reports and audited Annual Reports.
 - **International Reporting Companies** must file, through the OTC Disclosure & News Service, all information, in English, required to be made publicly available pursuant to Exchange Act Rule 12g3-2(b). International Reporting Companies must also provide Confirmation of 12g3-2(b) Compliance through the Add Financial Report link in www.otciq.com using the Report Type titled "12g3-2(b) Confirmation" annually.
 - **Alternative Reporting Companies** must file, through the OTC Disclosure & News Service, all reports required to be filed pursuant to the OTCQX U.S. and OTCQB Disclosure Guidelines, including Quarterly Reports and audited Annual Reports.
 - **Insurance Companies** must also post, through the OTC Disclosure & News Service, an "Insurance Company Annual Regulatory Statement" required to be filed with the Commissioner of Insurance (or other officer or agency performing a similar function) of its domiciliary State by March 1 of each year.
- Must file annual, semiannual, quarterly, and current reports as applicable, on EDGAR in accordance with applicable SEC rules and regulations.
 - **Bank Reporting Companies** are required to file their disclosure through the OTC Disclosure & News Service no later than 90 days after the fiscal year-end date and quarterly bank regulatory filings no later than 45 days after each fiscal quarter-end.
 - **International Reporting Companies** must file annual and quarterly financial reports contemporaneously with submission to their Primary Regulator.

- **Alternative Reporting Companies** must file their Annual Report no later than 90 days after the fiscal year-end and their Quarterly Report no later than 45 days after the fiscal quarter-end.
- At least one time every six months, the company must log in and update or verify the profile.
- Disclosure of convertible debt arrangements.
- Compliance with Blue Sky Laws
 - A Blue Sky Law is a state law in the United States that regulates the offering and sale of securities ostensibly to protect the public from fraud. Though the specific provisions of these laws vary among states, each state's blue sky law is administered by its appropriate regulatory agency.
- Annual OTCQB / OTCQX certification
 - The Company must file an annual OTCQB/X Certification signed by either the CEO or CFO. Certification must be filed through the OTC Disclosure & News Service after the Company's Annual report has been filed but no later than 45 calendar days after the Company's Annual Report due date.
- Interim event disclosure of any news or information which might reasonably be expected to materially affect the market for its securities, should also act promptly to dispel unfounded rumors which result in unusual market activity or price variations
 - OTC Markets Group may require the Company to provide additional public information regarding shareholdings of officers, directors and control persons, confirmation of shares outstanding, and any issuance of shares in the previous two years.
 - In the event the company undergoes a reverse merger transaction or other change of control, the Company shall file, through the OTC Disclosure & News Service, an interim OTCQB Certification signed by the CEO or CFO as of the effective date of the transaction
- Disclosure of material news releases/developments

In addition, OTCQX has a certain requirements in terms of assets, income:

OTCQX U.S. Financial Standards

	ONGOING	INITIAL
PENNY STOCK RULE	Meet one of the three below exemptions:	Meet one of the three below exemptions:
Net Tangible Assets	\$5 million: < Than 3 Years Operations \$2 million: 3+ Years Operations	\$5 million: < Than 3 Years Operations \$2 million: 3+ Years Operations
Revenue	\$6 million average for last 3 years	\$6 million average for last 3 years
Bid	\$5; and one of the below: Net Income: \$500,000 Net Tangible Assets: \$1 million Revenues: \$2 million Total Assets: \$5 million	\$5; and one of the below: Net Income: \$500,000 Net Tangible Assets: \$1 million Revenues: \$2 million Total Assets: \$5 million
SHAREHOLDERS	50 beneficial shareholders each owning at least 100 shares	50 beneficial shareholders each owning at least 100 shares
BID PRICE	\$0.25	\$0.10
MARKET CAPITALIZATION	\$10 million	\$5 million

OTCQX U.S. Premier Financial Standards

	ONGOING	INITIAL
PENNY STOCK RULE	Meet one of the two below exemptions:	Meet one of the two below exemptions:
Net Tangible Assets	\$2 million	\$2 million
Revenue	\$6 million average for last 3 years	\$6 million average for last 3 years
BID PRICE	\$4.00	\$1.00
STOCKHOLDERS EQUITY	\$4 million	\$1 million
PUBLIC FLOAT	500,000 shares	500,000 shares
SHAREHOLDERS	100 beneficial shareholders each owning at least 100 shares	100 beneficial shareholders each owning at least 100 shares
OPERATING HISTORY	3 years	3 years
Meet one of the following standards:		
MARKET VALUE STANDARD		
Market Value of Public Float	\$15 million	\$15 million
Market Capitalization	\$50 million	\$35 million
NET INCOME STANDARD		
Market Value of Public Float	\$1 million	\$1 million
Net Income	\$750,000	\$500,000
Market Capitalization	\$10 million	\$5 million

OTCQX International

Eligibility Standards

- Maintain a listing on a Qualified Foreign Exchange or be an SEC Reporting Company
- Be incorporated outside the U.S.
- Not a Shell Company or Blank-Check Company
- Not subject to any Bankruptcy or reorganization proceedings
- Not a Penny Stock
- Have Priced Quotes by a market maker on OTC Link
- Submit a Letter of Introduction from an OTCQX Sponsor

Disclosure Standards

- Meet one of the following Reporting Standards:
 - International Reporting Standard
 - SEC Reporting Standard
 - Regulation A Reporting Standard
- Audited annual financials
- Timely disclosure of material news and other information required to be made publicly available pursuant to the Exchange Act Rule 12g3-2(b) published in English, through the OTC Disclosure & News Service or an Integrated Newswire service

OTCQX International Financial Standards

	INITIAL	ONGOING
PENNY STOCK RULE	Meet one of the three below exemptions:	Meet one of the three below exemptions:
Net Tangible Assets	\$5 million: < Than 3 Years Operations \$2 million: 3+ Years Operations	\$5 million: < Than 3 Years Operations \$2 million: 3+ Years Operations
Revenue	\$6 million average for last 3 years	\$6 million average for last 3 years
Bid	\$5; and one of the below: Net Income: \$500,000 Net Tangible Assets: \$1 million Revenues: \$2 million Total Assets: \$5 million	\$5; and one of the below: Net Income: \$500,000 Net Tangible Assets: \$1 million Revenues: \$2 million Total Assets: \$5 million
SHAREHOLDERS	50 beneficial shareholders each owning at least 100 shares	50 beneficial shareholders each owning at least 100 shares
BID PRICE	\$0.25	\$0.10
GLOBAL MARKET CAPITALIZATION	\$10 million	\$5 million

OTCQX International Premier Financial Standards

	INITIAL	ONGOING
PENNY STOCK RULE	Meet one of the two below exemptions:	Meet one of the two below exemptions:
Net Tangible Assets	\$2 million	\$2 million
Revenue	\$6 million average for last 3 years	\$6 million average for last 3 years
GLOBAL MARKET CAPITALIZATION	\$1 billion	\$500 million
AVERAGE WEEKLY VOLUME For the previous 6 months *	200,000 shares or \$1 million	100,000 shares or \$500,000
OPERATING HISTORY	5 years	5 years

What happens if a company stops meeting requirements?

Companies that no longer meet the requirements, or request to be removed, will be removed from OTCQX and OTCQB.

Generally, those securities will begin trading on the Pink market. The only way to remove a company from the Pink market is for all of the broker-dealers to stop quoting it. Companies are required to contact FINRA Operations if their securities no longer exist, but are still being quoted. FINRA will investigate and, if appropriate, eliminate the trading symbol and inform OTC Markets Group that they have done so. OTC Markets Group will then remove the quotations in this security.

Costs & Timeline

OTCQB

- Annual fee: \$14,220
- Application fee: \$5,000
- Accounting Fees associated with preparing the financial statements that are in compliance with US GAAP
 - This is going to vary depending on the state of records, size, & complexity of the company
- Audit Fees
 - This is going to vary depending on the state of records, size, & complexity of the company
- Legal Fees
 - This is going to vary depending on the state of records, size, & complexity of the company

OTCQX

- Annual fee: \$23,400
- Application fee: \$5,000
- Accounting Fees associated with preparing the financial statements that are in compliance with US GAAP
 - This is going to vary depending on the state of records, size, & complexity of the company
- Audit Fees
 - This is going to vary depending on the state of records, size, & complexity of the company
- Legal Fees
 - This is going to vary depending on the state of records, size, & complexity of the company

In general, it takes a company **between 3 and 6 months to get listed on the OTC Markets.**

Key Providers

The key providers in the process are:

- (1) **Accountants** - assist with the preparation of financial statements
- (2) **Auditors** - perform audits and issue audit reports on the financial statements
- (3) **Attorneys** - assist with the filing statements and ongoing compliance
- (4) **Bankers** - assist with valuation, capital raising

Important: The [OTC Markets Group Prohibited Service Provider List](#) includes attorneys, accountants, auditors, investor relations firms and other service providers that have been convicted of criminal activity, are subject to an SEC or Penny Stock bar, or that OTC Markets Group has determined not to work with based on questions regarding the reliability of their work. Attorneys that appear on this list may not provide Attorney Letters with respect to Current Information pursuant to OTC Markets Attorney Letter Guidelines or act as a sponsor for OTCQX and OTCQB companies.



Green
Growth || CPAs

Assurance Approach and Capabilities



About Us

GreenGrowth CPAs is a boutique CPA firm that provides accounting, audit, tax, and compliance services to the cannabis industry.

Our firm was founded by former-Big Four veterans who have a mission to bring the “Big Four Gold Standard” of client service to cannabis businesses.

- Founded in 2014
- 600+ clients
- Serving all verticals & ancillary providers
- In markets throughout US & CA
- Led by former Big 4 CPAs
- Licensed by:



Our Clients



Assurance Capabilities



Built for Cannabis Go-Public Transactions

- We are a cannabis accounting firm licensed to conduct public audits in both the US and Canada
- This gives us expertise in both PCAOB US and Canadian auditing standards
- Typically, when a US cannabis company goes public in Canada, they need both US and Canadian audit firms, resulting in duplicated work, breakdowns in communication, etc.
- We are a one-stop-shop, optimizing efficiencies, and delivering investor and market confidence



Scope & Experience

- Our team consists of cannabis-focused professionals, most former Big 4 accountants
- Unique understanding of cannabis industry challenges, including cash management, operations and regulations
- Deep experience with compliance software, i.e., MJFreeway, Biotrack, Treez, etc.
- Performed hundreds of audits in compliance with PCAOB & US GAAP and Canadian auditing standards & International Financial Reporting Standards (IFRS)
- Recent experience includes taking two cannabis operators public in Canada – valued at over \$500 million.

Audit Methodology

Defining Audit Standards for the Cannabis Industry

Due to our years of experience and sole focus on cannabis, we have developed a cannabis specific audit approach:

- Audit procedures on balance sheet through corollary audit approach developed at Deloitte
- Cannabis-specific analytical procedures informed by industry benchmarks to minimize extent of detail testing
- Streamlined project management through Asana software
- Engagement performed by seasoned cannabis audit team with 5 years + experience

Benefits of our Approach

This approach maximizes the level of assurance while minimizing the hours, allowing us to be market leaders in both quality and affordability. We don't view ourselves as an extension of regulators who are there to penalize the management. Instead, we act as trusted advisors who use the audit process to deliver additional value by providing:

- Feedback on your accounting and financial processes
- Experience with complex US GAAP and IFRS guidance around:
 - Revenue Recognition (IFRS 15) (ASC 606)
 - New Lease Standard (IFRS 16) (ASC 842)
 - Financial instruments (IFRS 8) (ASC 820)
 - Biological assets (IAS 41) (N/A for US GAAP)
 - Business Combinations (IFRS 3) (ASC 805)
 - Tax Provision accounting (ASC 740)
- Banking relationships to minimize risks associated with operating business in cash
- Guidance for navigating US & Canadian RTO & IPO listing processes
- Tax planning opportunities that can save you and your shareholders money on taxes or minimize tax risk exposure:
 - 409A valuations
 - Transaction structuring
 - 280E planning
 - R&D tax credits
 - Cost segregation studies
- Access to our network of over 600 clients and countless industry contacts to make introductions that can help your business on both the operational and financial side

Audit Methodology (continued)

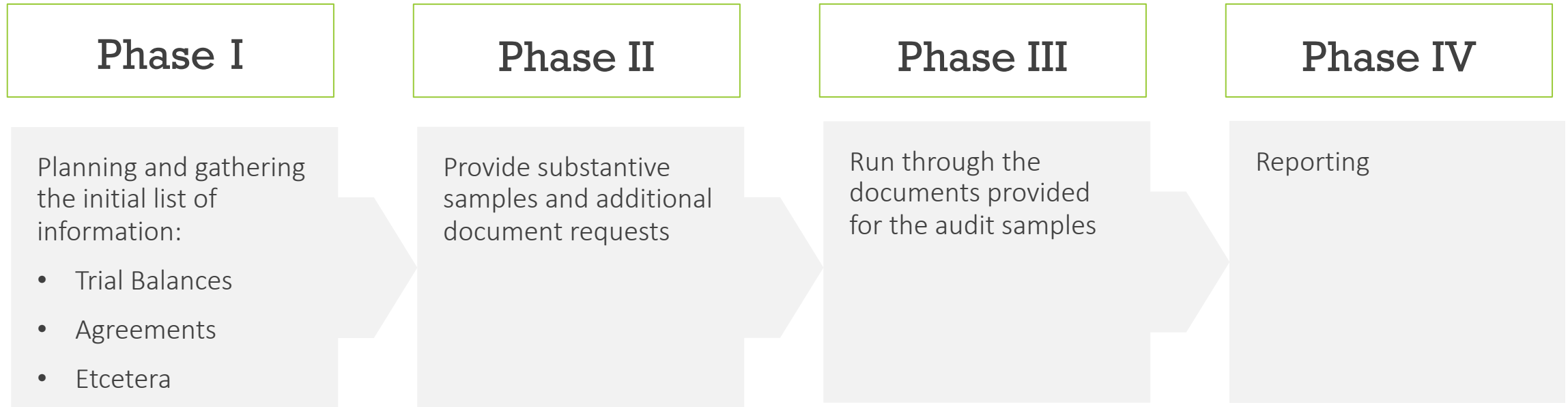
Analytical Procedures

Our audit approach strongly encourages substantive analytical procedures as they result in high levels of assurance and efficiency. Through our deep understanding of key metrics driving cannabis businesses, developed from working with over 600 cannabis operators, and access to reputable industry reports, we have developed substantive analytical procedures for revenues and other classes of transaction and account balances.

Some of the key metrics we tend to leverage are:

Retail Dispensary	Cultivation	Manufacturing
Average spend per transaction	Growing methodology: <ul style="list-style-type: none">• Indoor with GAVITA• Indoor with LED• Greenhouse• Outdoor	Process extraction yields
Concentration of dispensaries relative to population size	Square footage of canopy	Equipment capacity/type to audit revenues for a processor
Frequency of customer purchase	Yield per square foot to audit revenue	Wholesale mark-up
Retail mark-ups	Cost per pound	Cost per unit
Expense contribution	Cost of goods sold	Expense contribution
Headcount	Headcount	Headcount

Audit Process



GAAP vs IFRS

To go public in United States or Canada, US-based cannabis companies need an audit provider fluent in reporting standards on both sides of the border – US GAAP and IFRS. GreenGrowth CPAs is registered in both the US and Canada.

GAAP

Generally Accepted Accounting Principles

Required in the U.S.

Rule-based

Focused on literature

IFRS

International Financial Reporting Standards

- Required in Canada
- Principle-based
- Thorough review of Facts Pattern
- New standards
 - IFRS 15 - New Revenue Standards
 - IFRS 16 - New Lease Standards
 - IFRS 8 - Financial Instruments
 - IAS 41 - Biological Assets

Team Leaders



Marko Glisic
Audit Partner &
Engagement Leader
Los Angeles Office

A Big 4 veteran who left Deloitte as a Senior Manager to bring Deloitte's way of doing audits to the cannabis industry

Career highlights include:

- Experienced leading audit projects with:
 - 10,000-20,000-hour budgets
 - Coordination with international teams on 5 continents
- Led S-1 IPO filing of \$4 billion company
- Led multiple debt offerings of over \$300 million
- Led Canadian RTO filings for companies valued at over \$500 million

Aside from auditing, also experienced with:

- Due Diligence and Accounting Systems Set-Up:
Discovered \$200,000 discrepancy in cash on hand and built system of controls and accounting processes to safeguard cash and record transactions

Team Leaders



Derek Davis

**Founder &
Tax Specialist
Los Angeles Office**

A Big 4 veteran who founded GreenGrowth CPAs to provide advanced tax strategies to the cannabis industry

Career highlights include:

- Managed Tax returns for over 500 clients spread throughout CA, CO, WA, OR, MI, FL, OH, AZ, DC
- Testified on Capitol Hill regarding tax policy reform in November 2015
- Former Corporate Taxation Manager at Deloitte Tax and PricewaterhouseCoopers LLP (PwC)
- Prepared economic models to benchmark financial results of related and unrelated companies operating in comparable industries and geographic markets
- Constructed bond default rate mappings and comparative models to determine default rating for companies
- Developed and maintained financial models using client actual and projected financial data to assess the validity of client pricing policies
- Analyzed the pricing policies of major multinational clients

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Summary

GreenGrowth CPAs is the right fit.

Thank you for the opportunity to present our capabilities to provide cannabis audit and assurance services.

We provide an optimal blend of cannabis industry experience, local market knowledge, and international scope to deliver value to you.

If you have any questions or concerns, please do not hesitate to ask. We look forward to working with you.

An aerial photograph of a coastal area. On the left, there is a parking lot with several cars and a few small buildings. A path leads from the parking lot towards a sandy beach. The beach is bordered by a line of trees and shrubs. To the right of the beach is a large pile of rocks and boulders, which appears to be a natural or man-made breakwater. The water is a clear, light blue-green color. The sky is not visible in this aerial shot.

Thank You

Green
Growth || CPAs