



Coolley

CANNABIS, CAPITAL, AND COMPLIANCE.

WSBA CORPORATE COUNSEL SECTION. JUNE 16, 2015

PRIVATEER OVERVIEW



ABOUT

Privateer Holdings is the world's leading private equity firm shaping the future of the legal cannabis industry. We are building a portfolio of responsible, mainstream companies managed by top-tier talent. Our team includes PhD research scientists, Ivy League MBAs, former law enforcement officials, and executives from world-leading brands.

GOAL

Pioneer the development of a well-regulated, transparent, professional and competitive industry that eliminates the illicit market.

CORE VALUES

- Shine a light on a still shadowy industry
- Bring a professional perspective to the industry
- Become a trusted advisor
- Develop a standard of care and excellence
- Create a reliable, trusted product that is clean, tested, professionally packaged and branded
- Enable legitimate patients to benefit from medical cannabis

PORTFOLIO COMPANIES



LEAFLY: the world's leading cannabis information resource for patients and consumers. Based in Seattle with 30 employees, the website and app receive more than five million visitors per month.

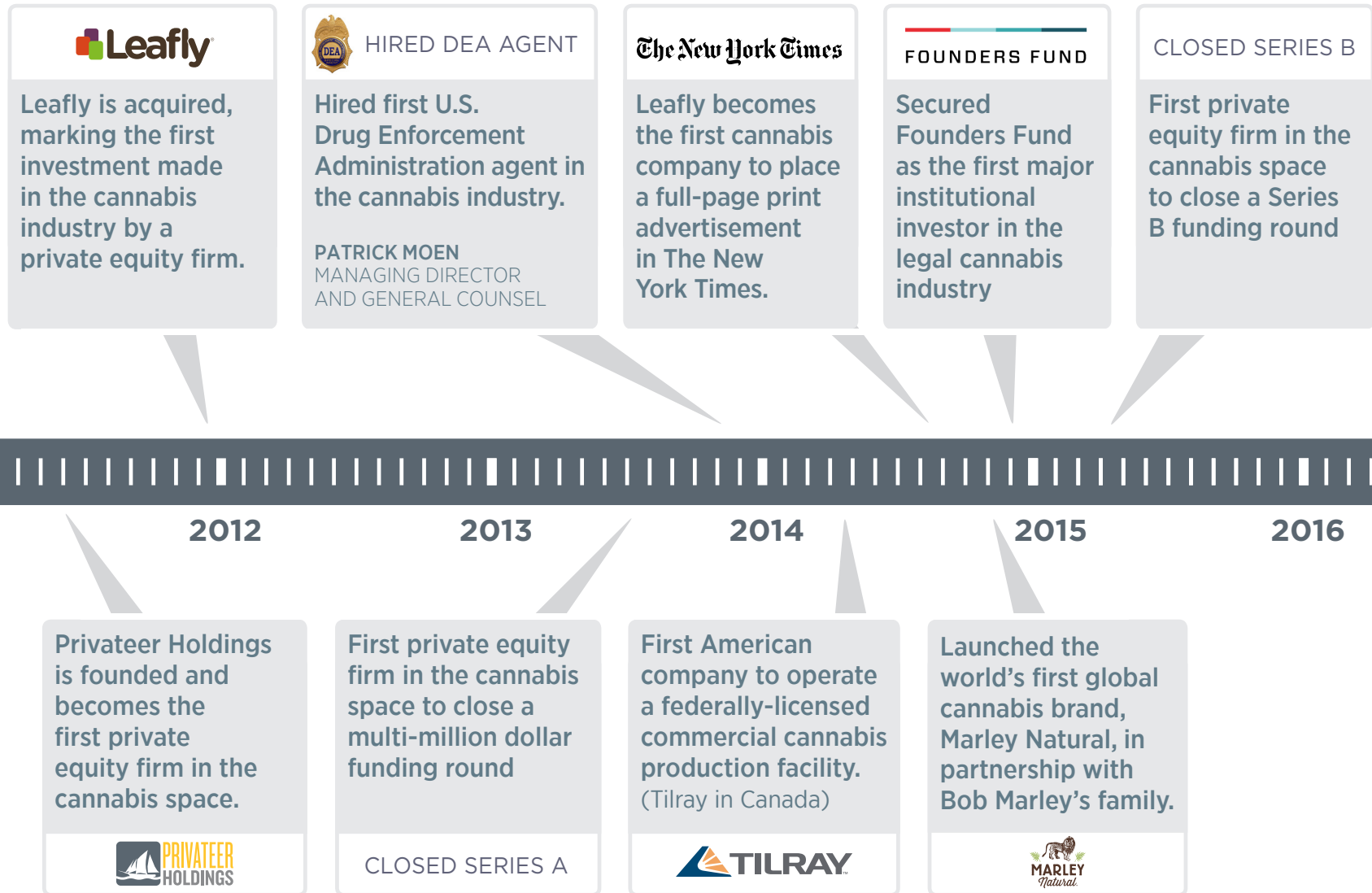


TILRAY: federally licensed producer of medical cannabis serving thousands of Canadian patients from a state-of-the-art, 60,000 sq. ft., \$25 million research and production facility employing 140 people on Vancouver Island in British Columbia.



MARLEY NATURAL: the world's first global cannabis brand. Based in New York City with 10 employees. Products launching Fall 2015, including cannabis, infused topicals, and accessories.

PRIVATEER OVERVIEW



COOLEY OVERVIEW

Cooley



Cooley ranked first and third across various Corporate Scorecard categories for volume of US IPO's and other non-IPO equity offerings.



Named *Top-Tier Firm* in 12 practice categories – including capital markets, corporate, patent litigation, technology and trademark law – in latest ranking



54 Cooley Attorneys were recognized in 22 practice areas nationwide – including Intellectual Property, Investment Funds: Private Equity: Fund Formation, Investment Funds: Venture Capital (Ranked #1) Projects: Renewables & Alternative Energy



Ranked 2nd in number of VC-backed IPOs since 2000

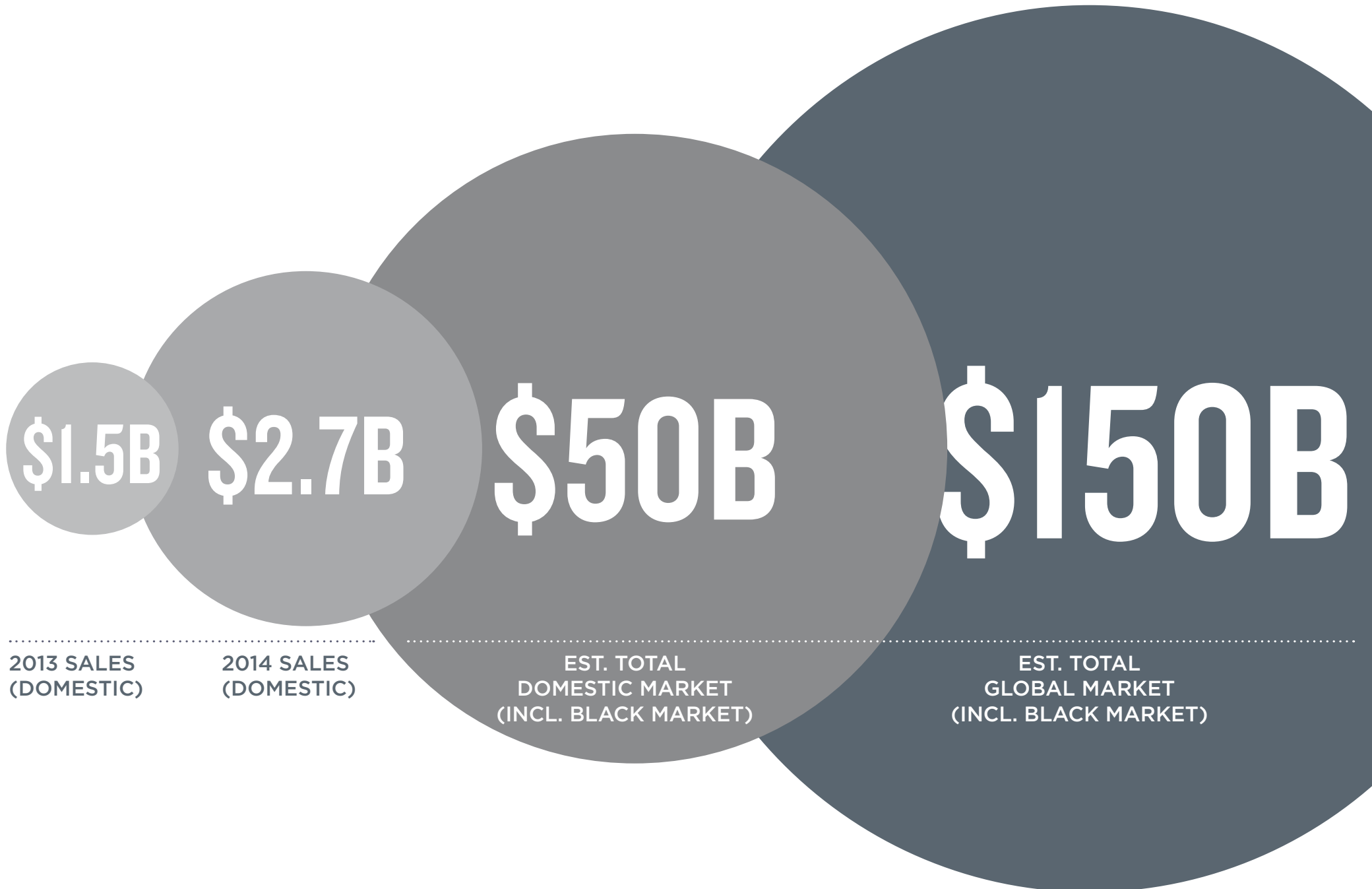


Named one of the U.S. law firms that attorneys would least like to face in litigation according to a survey of 240 corporate counsel



Cooley completed 100 IPOs in 2014, more than any other law firm in the US, making it the #1 law firm for technology and life sciences IPOs as well as venture-backed company IPOs

DOMESTIC SALES & MARKET SIZE



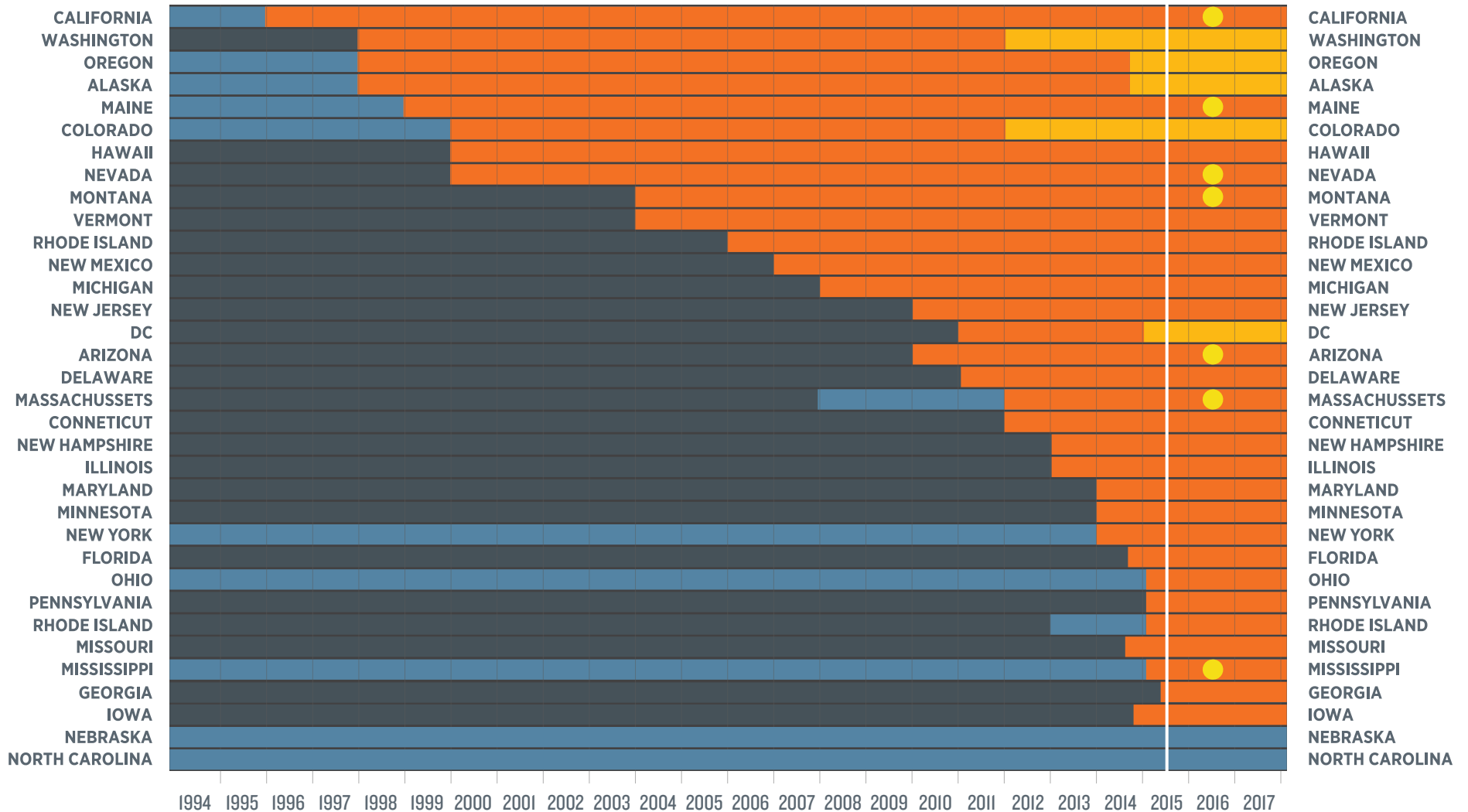
2013 SALES
(DOMESTIC)

2014 SALES
(DOMESTIC)

EST. TOTAL
DOMESTIC MARKET
(INCL. BLACK MARKET)

EST. TOTAL
GLOBAL MARKET
(INCL. BLACK MARKET)

DOMESTIC JURISDICTIONS



1 DECRIMINALIZED

23 MEDICAL

5 RECREATIONAL

15 CBD OIL

ON BALLOT MEDICAL

ON BALLOT RECREATIONAL

FEDERAL LAW BACKGROUND

1. **Controlled Substances Act, 21 USC 801 et seq.**
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2. **Drug scheduling**
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3. **Money laundering, 18 USC 1956, 1957**
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4. **August 2013, Cole memorandum**
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5. **February 2014, DOJ and FinCEN memos – banking**
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6. **Tax issues – IRC 280E**
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7. **Consolidated and Further Continuing Appropriations Act, 2015, sec. 538**
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8. **Pending legislation – CARERS Act, etc.**
.....
9. **CBD and Hemp**
 - a. Is CBD a controlled substance?
 - b. Impact of 2014 Farm Bill (7 USC 5940)

OVERVIEW OF INVESTMENT/CAPITAL



1. **“Bubble” has burst, but still frothy**
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2. **Too much money, too few deals**
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3. **Industry is immature, fragmented, unsophisticated, but rapidly professionalizing**

RAISING MONEY – PUBLIC COMPANIES



1. Primarily microcap via RTO

2. Lack of independent data

3. May 2014, SEC and FINRA investor alerts

4. Share registration

5. Canada

a. September 2014, CSA investor alert

b. Repatriation

1. Exemptions

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2. Disclosure obligations

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3. Risk factors

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4. Impact of regulation on specific investment opportunity

DUE DILIGENCE

1. **Primary vs. ancillary**
2. **Corporate formation and tax structure**
3. **Financial arrangements**
4. **Books and records**
5. **Management team**
6. **Investigations and compliance**
7. **Security and diversion control**
8. **Product liability**
9. **Contingency plans**
10. **Contractual issues**
 - a. Void as against public policy?
 - b. Reps and warranties
11. **Economic/market conditions**
 - a. Supply chain
 - b. Distribution
 - c. Supply and demand; commoditization
 - d. Branding & Licensing

ADVISING CANNABIS BUSINESSES

1. Bar associations/ethical rules

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2. Internal firm rules/policies

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3. Evaluating clients