

# CHILL DIVISION

## Genetics declaration guide

A handbook for legacy growers and medicinal cannabis companies alike

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## Introduction / foreword

With the advent of the Medicinal Cannabis Scheme in April 2020 came a swathe of companies looking to capitalize on the medicinal legalization for cultivation / manufacturing of cannabis. Unfortunately, many quickly realized the pitfalls of attempting to import unknown genetics, as phytosanitary certificates rarely mention the most important disease in cannabis: Hop Latent Viroid Disease

Similarly commercial cultivators have discovered that a “stickered potency” on many seedbank websites was rarely realistic, often without any form of CoA to verify the stated THC levels. This can directly have a negative impact for the company purchasing genetics, as lower THC levels usually equate to a lower selling price per-gram for offtake agreements, or even the inability to sell them at all if the potency doesn’t meet a certain percentage (often requiring a minimum of 18% Total Potential THC). Alternatively, if performing extractions, higher amounts of flower starting material may need to be purchased, in order to attain the desired dilution, reducing the cost-effectiveness overall.

Many of the aspects around discretion will be second nature to legacy growers. However, they are recapped here in order to reiterate the need for secrecy both for the legacy genetics-holder, as well as acting as an explanation for commercial cultivators. While the Misuse of Drugs (Medicinal Cannabis) Regulations written in 2019 is not ignorant to the fact there are legacy cultivators, unfortunately there are few protections for these unlicensed gardens, and being caught with cannabis plants can still land somebody in prison.

With this in mind, it is difficult for a legacy cultivator to find people to talk to, to know what can be said and what should not, or to even know what to be asking for when attempting to sell genetics. What do commercial cultivation companies even want from them? What can be done by the seller to make the life of the commercial company easier? Or vice versa?

Having now provided genetics to 6x different license holders, we are in a bit of a unique position with this experience. We have seen a variety of commercial requirements, financial offers, delivery processes, and commercial skillsets. While this document predominantly focuses on clones / cuttings, the underlying principles could also be applied to seeds as well.

This document will evolve with time too, as the industry evolves, and as more of these sales take place. At all times though, both parties need to remember to protect themselves, their identities, but also the other party. However, it’s the seller who’s taking on massive risks here!

We are a small nation, and an even smaller community of cannabis cultivators. Plan for the worst, hope for the best, and remember Hanlons Razor: “*Never attribute to malice that which is adequately explained by stupidity*”. People make mistakes, but hopefully this document will help all involved to minimize any risk with this undertaking.

This handbook is aimed predominantly at legacy growers, hence the overarching tone, but should still be of benefit to licensed cultivators or people looking to start a licensed company.

One last note, where we refer to THC, we’re talking about Total Potential THC usually, unless otherwise stated. That’s calculated as:  $THC = \Delta^9\text{-THC} + \Delta^9\text{-THCA-A} \times 0.877$

## Protection for the legacy genetics supplier

Although a lot of cultivators have been involved in the trap life for a long time and know how to keep themselves safe, many might not have. As such, this will cover some of the basics alongside the finer points. The biggest risk after all is on the genetics supplier.

We've heard of a number of legacy<>commercial engagements going poorly, with peoples homes being raided shortly after providing genetics to a company so that the company could "tidy up" any loose ends on the genetics. *You don't want that to be you.* Don't provide any additional opportunity for it to be.

Even if a company isn't *intentionally* acting maliciously, a legacy cultivator shouldn't even give them the opportunity for an accidental leak of their details. A company can't hand over information (willingly or not) to anyone else, if they don't have that information to begin with.

With all that being said, having somebody vouch for a legacy cultivator will certainly improve the credibility. There's 5 million people in this country, and the buying company likely doesn't know the supplier from a bar of soap. How does the buying company know a stated potency is legitimate without a CoA? Or stated yields aren't overinflated?

When dealing with a licensed entity, there are a few things that you as a legacy supplier should keep in mind:

1. Unless you're doing Cash on Delivery, you'll likely need to give up some of your privacy and sign some sort of a document which will include your name.
  - a. For this reason, Cash on Delivery is often favorable, as it avoids the need to have your name / signature on a document. It's just a once-off transaction.
  - b. While a royalty option may seem financially optimal for you long-term, a bird in the hand is always worth two in the bush. Royalties rely on both a companys' ability to commercialize your strain (which is a coin toss if they'll be able to or not), it relies on the company sticking around / remaining financially viable in the longer term, and lastly it relies on the honesty and integrity of the company. My advice would be: Don't risk it.
2. You don't need to sign an NDA. While many companies may want you to, you shouldn't be discussing any company secrets that require it to be in-place, so if you get asked to, you can politely decline. Again, keeping your name off a document such as a non-disclosure agreement will be beneficial to maintaining your privacy.
3. Be mindful of even giving out your mobile number. You shouldn't specifically need to but it will significantly help with communications if you're comfortable doing-so. When traveling to a facility, if you have to sign in, be wary of leaving your real name / phone number etc because if they have your mobile number then your location can often be determined (accurately enough) from cell tower triangulation.
4. Email is probably the most anonymous way you can communicate. Alternatively Instagram also works. Signing up for something like Protonmail is a good way to liaise with a license holder. Having somebody to act as your go-between is also beneficial for anonymity if you don't want to liaise directly yourself.

5. When you're delivering genetics, be mindful of your car number plate. Having it registered to a different address instead of your home can be wise, or borrowing a friend's vehicle will add a further degree of separation.
6. If you're giving out your bank account to receive funds into, then presume somebody could give that information to the bank. They may not, but it's better to be aware that your details can be obtained from knowing it, by the bank / law enforcement.
7. Presume that once you've handed over the genetics, you have no recourse. Similarly to how you wouldn't advance anyone a zip, don't give a company your genetics in advance. Companies generally don't get a "free look" to experiment with your genetics and try them out. They either take them and pay you for them, or they don't.
8. Ask to see their license. It may be redacted, but if you're dealing with a smaller company, check and make sure they are on the list of Current License Holders, and then cross-reference that information on the Companies Office website etc
9. Don't deal with anybody whose license is expired. Licenses all have to be renewed annually following an on-site audit by the Medicinal Cannabis Agency. There is no excuse for the license holder, and it's just likely to end up causing you trouble. Better to wait until their license is showing as having been renewed or what little protections you have may not apply if you get into deep waters.
10. Just like if you're dealing with another underground buyer, meeting somewhere semi-public where there are no cameras can be beneficial. Keep in mind if you're meeting in public, it can be difficult to liaise with a license holder if all they have is your email. If they're running late, or you are, the last thing you want is to have to send them an email to say "Hey sorry I'll be late, traffic sucks..." and hope they get it in a timely manner.
11. They may want a flower sample to do their own internal testing and obtain their own CoA. That's totally OK.. If what you provide to them in advance is already dried then they can't reverse the genetics and start growing from it. Don't provide clones / cuttings / plants though without the exchange of money.  
10-14 grams would be an acceptable upper-limit for them to be asking for. Anything more and you should be asking questions.

With these things in mind, hopefully you'll minimize your exposure to being taken advantage of, or any kind of mistakes occurring along the way.

## Protection for the licensed buyer

As a license holder, you have all the protections of the law which puts you in a great position of safety and also for negotiations, except for the key fact: the grower has the high-quality genetics that you want.

Oftentimes, a good set of genetics will more than pay for themselves within a single seasons' growth cycle! Even if there's a steep one-off cost to buying them, there's little reason to be overly cautious, as a good cultivator / team will be able to make them work sufficiently well to reap the rewards.

There are massive variations in the effects they provide too, with cultivars that are good for anxiety, inspiration / creativity, anti-inflammatory, motivation, hunger, mental focus, relaxation, all with and without different secondary side-effects. Consider these as you look to purchase, because it may also impact your offtake / capacity to sell. It may not, if the potency is high enough, but it's worth being mindful of.

There is almost always a market somewhere for high potency genetics, and until both domestically as well as internationally the market matures and begins to focus more on Terpenes / Entourage Effect, simply going for "high number = good" makes solid business sense (Well, within reason, contrasted against yield etc).

Some of these cultivators have had genetics for a decade or longer. Others are highly skilled at small-to-moderate scale pheno-hunts. Others have simply gotten lucky and fallen into some amazing genetics through chance. It doesn't really matter what those reasons are though, they will be doing all they can to keep their name and other information private. Expect the need for secrecy from them, but also (especially for smaller cultivation sites) you should attempt to maintain the privacy of your cultivation location(s) too.

Plan for the worst, but hope for the best. Here's a few tips:

1. Have a quarantine plan in-place. Presume that the plant will come with any kind of bug imaginable even if they swear black and blue it's clean. It's not always the sellers fault, sometimes simply taking them out into the open may be enough. Other times they simply were unaware of that single russet mite that eventually grows into a larger issue. Assume that you'll have to go through a full cycle and a half of a pests lifecycle to eradicate it. 3-4 weeks quarantine is usually sufficient but assume the genetics need to be almost air-locked during that time and kept apart from your others.
2. Getting hLVD tests through dNature or similar are money well spent. Ask the genetics supplier if they can get a test in advance for you too, even if you have to pay for it. Better to find out sooner rather than later, and two tests are safer than one.
3. You may need to facilitate additional CoAs if you are unhappy with the one or two that the genetics supplier has, or if they're not from your favorite tester. They're unlikely to want to pay for those, so if you're serious about those genetics then it's just part of the cost of doing business, and should be factored in as part of your genetics onboarding.

4. Show them your license to ease their mind. Send a redacted copy that has the addresses blurred out for where your activities take place if necessary, though you may want to check what the Companies Office says about you too. Make sure your license notes you have completed and the Agency has accepted a Form D - Illicit Declaration. There are people out there masquerading as licensed who are not, so easing the sellers mind with this can go a long way.
5. As the license holder, your role in this is legal and pretty safe. For the other party it's a massive shade of gray. You may need to be patient / understanding, and offer any assistance to maintain anonymity. They have a lot on the line there, and for many it's not just about the financial side of the transaction, but also about a desire to see the quality / variety being output improve. It may also be that they're after a foot in the door to become an employee one day. The more compassion and understanding you have, the better this will go, and the more opportunities you'll have to get your hands on other declared genetics in the future too.

On a personal note, I've had dealings with legacy growers that I've known now for years and still don't even know their first name, let alone anything else about them. These people can be insanely talented growers, so we shouldn't take a need for secrecy as a sign of inexperience or weakness. Who knows, if things work out, one day you may end up employing them one day!

## What makes a good cultivar

Potency is definitely the main thing a licensed cultivator will be looking for. As a legacy genetics holder, being mindful of what the buyer will be seeking can save you a lot of effort too if you're looking to fulfill those requirements.

In addition to high potency, considerations are largely the same as any grower:

- Bag appeal
- Nose / uniqueness of terpenes
- Flower structure
- Mold resistance
- Pest resilience
- Flowering time
- Capacity for yield
- Training requirements
- Trimming / defoliation effort

Ideally most cultivators are going to be factoring in either 4 or 5 growth seasons per-room per-year (Depending on if they Vege in the room or not). Some may even be going for 6 flower cycles in a room, meaning that an 8-week flowering period is definitely ideal.

Weight is super important too. If a licensed cultivator is growing with an offtake in-mind (as opposed to for extractions), they're getting paid per-gram. More yield = faster payback. It's likely to be more \$ per-gram as well if it's higher potency.

It's worth being mindful that longer flowering cycles can often equate to larger yields, which is nice, but cultivators also have to be very careful about microbial levels. Large fist-sized flowers aren't generally optimum for doing that, because bigger buds means less airflow to the inner parts of the flower, which means a higher microbial load. Commercial cultivators likely won't want anything that has "big bud" lineage in it for that reason.

As a grower, you should be doing over 1lb/sqm either from 4 or 9 plants, consistently, to ensure you're growing to the level that commercial cultivators would expect. If you're doing 1.5lb/sqm or 2lb/sqm then even better. That's how you know you're likely to be pushing the plant similar to an indoor commercial cultivator. In a 1.2x2.4 tent for example, that should all be canopy, and there should be ~3lb a harvest minimum to know you're hitting it with enough light etc given most plants won't reach peak potency until they've got 1200+  $\mu\text{mol}$ 's for all of their flower cycle.

Potency matters. If the cultivar is making 18-20% THC as a minimum, that's cool, but commercial cultivators will often be looking for a cultivar that'll do 24%+ to make it really appealing in respect to their ability to later sell it. It's a little bit of a different story if the bag appeal is something incredibly unique, if the commercial grower is going to take a chance on packing it for domestic distribution.

However, the problem is if the licensed cultivator can't sell it domestically, then very few international places are going to want to purchase it if it's < 20%, and under 18% is basically a hard pass from all international buyers that they're likely to have an offtake agreement with. Look at it from the licensed cultivators perspective: it's better for them to have options. Higher potency offers them options. With that said, if a particular cultivar has the right terpene profile,



bag appeal, and a solid nose on it, it's possible they may want to take a chance on it with lower potency.

The other aspects are all nice to have, but a good commercial cultivator will be able to make almost anything work because their environment should be streamlined, and the amount of human time / effort that is spent on their garden should be significant and can often make up for any small shortcomings in a cultivar.

## Obtaining CoAs

A Certificate of Analysis (CoA) shows that the harvested flower can hit the advertised potency, and that you don't have some dud pheno. You'll need at least one! Two is much better, and three is ideal though more of a "nice to have" than necessity.

These CoAs shouldn't be from the same growth cycle, they should be from separate runs. Even if there's variation, say one is 22% and the other is 24.5%, that's totally fine. It's indicative enough that a commercial cultivator knows it can go that high.

They'll also likely want to know the LOD (Loss on Drying) or  $a_w$  (Water Activity) of the flower at the time of testing. This is because if you've overdried it to within an inch of its life, it'll always reach a higher potency due to there being less water. If you leave your sample in a Grove Bag or similar for a few days in the lead-up, along with providing it to the tester in it, then it's more likely to be around the 58-62%  $a_w$  level (Hopefully < 10% LOD) and will meet the NZMQS specifications.

They're also going to want to see it was done with HPLC, High Pressure Liquid Chromatography. Testing with a device such as a Purpl Pro isn't going to cut it unfortunately.

The tricky part is in finding a way to do it, because many places like Hill Laboratories orASUREQuality won't touch it (at the time of writing in late '23) unless it's come from a license holder with a full chain of custody. It's unfortunate, but understandable from the testing laboratories perspective.

You may need to seek assistance from a licensed entity who's willing to meet with you to receive the dried sample and facilitate a CoA. You'll ideally want to provide 10 grams worth (Some certificate providers need less, some more), depending on who the sample is going to be delivered to. The license holder you're hoping to sell genetics to may also have a HPLC machine they can do a secondary test with, but they're unlikely to want to receive an initial flower sample from some stranger off the internet without there already being a CoA that shows them it's worth their time.

Once you have that CoA though, you're off to a great start. Remember, if it's under 20%, that's not the end of the world, but you may need to refine your own cultivation practices prior to offering it to a license holder. Alternatively you may get low-balled on the counter-offer from them, so it can be worth waiting a couple of months to get another harvest or two under your belt with more attractive CoAs.

If you can also pay for a terpene analysis in advance, that will go a long way towards letting the licensed cultivator know you're serious about this, and that will also go towards ensuring you get the best price for your genetics. It's not mandatory, just highly recommended.

Following the steps for handover can apply to both clones as well as dried flower. Be mindful of the smell of flower, and look to use a vacuum seal. Don't vacuum the bag, just seal it.

## Designing a cultivar document

What is a cultivar document and why would a legacy cultivator want to make one?

Well, say someone is browsing a seedbank online, how do they know what to buy?

The same goes for a license holder looking to buy genetics from a legacy cultivator, if they want something of the highest quality then how do they know that any particular grower has exactly what they're after?

Having this kind of cultivar document can often be a 5-figure difference in the remuneration amount for genetics, so having something like this can certainly pay dividends.

There are likely two audiences for a document like this: The cultivators, and the board of directors / management team

In a smaller company, they may be one and the same. It's worth keeping both in mind.

The cultivators themselves are going to be the ones growing this. Anything that can be provided to them that will give them a head-start in knowing how to grow this particular set of genetics is going to be hugely beneficial to them. It'll help having the cultivators buy-in to encourage their management team purchasing the genetics from you. Picture being able to provide them with a quick brain-dump of information to give them a kick-start in their first growth cycle that will help them achieve success. Does the cultivar like being topped? Does it respond poorly to being trained? Does it stretch a lot on Day 16 of flower?

The next and arguably most important aspect is the management team. Imagine the buyers management team pitching this to a board of directors, or maybe having to justify spending big money to shareholders if they're a publicly traded company. Picture the Chief of Cultivation in a boardroom with a dozen other people who are saying "*Why should we spend this much money on a cannabis, we have a cannabis, why do you want two cannabis?*".

It's a light-hearted take, but that's effectively what needs to happen. If not the head of cultivation, then it'll be another manager to a board of directors or shareholders or similar.

This document needs to SELL the genetics. Here's some things it should have:

1. Cultivar name, and if possible the mother / pollen donor details
2. Cannabinoid and Terpene information
3. Yield / flowering time
4. Any noted medical uses (This can be completely anecdotal)
5. An overview of the cultivar itself
6. Pictures, at varying stages of the grow, and of the final flower
7. Information about the taste / nose of the flower
8. Effects / side-effects
9. Cultivation notes

For an example cultivar document, we have done one for [Color of Space](#) that should point both buyer / seller in the right direction, and insights into what will be helpful for the buyer.

This will go a long way towards helping sell the genetics for both parties, so even if the seller has to enlist some help from UpWork / Fiverr to spruce it up, it's likely worth the time.

## Types of agreements / prices

There are three types of sales: Up-Front, Royalties, and a combination of both

Let's throw around some numbers then. Any license holder or start-up company should ideally be putting aside somewhere in the region of \$30-50k NZD for genetics, depending on what they are looking for.

Now, on the one hand that may seem like a lot. On the other hand, if this is going to adjust an offtake buy-price from, say, NZD\$2.50 per-gram for 18-20% THC flower that a licensed cultivator can already produce, to NZD\$4.00 per-gram for a 24-25% THC flower, then if they spend \$40k on genetics they have already made that back after 30KG of flower.

In the case of a 50KG or 100KG harvest, it's basically a no-brainer, and the licensed cultivator SHOULD spend the money in a heartbeat. Now, they may or may not already be producing a 20-24% range flower, in which case the value proposition may not be as immediately obvious, but it's clear why a higher potency makes sense for a licensed cultivator to be pursuing.

Alternatively if new genetics offer the capacity to grow faster for a quicker turnaround, or less man-hours defoliating but at similar potency levels, there can be huge merit there too.

So what will impact this, and what is the minimum both parties could expect for a transaction? Well speaking from first-hand experience, I've provided a dozen and a half rooted clones to a licensed cultivator for \$1000. The traditional legacy rate of \$50 per-clone still holds true if there is little more than a single CoA and a name. The rate increases a little as the trust does, such as the buyer being able to pay a bank account, knowing the sellers name or where the genetics came from.

However, if the seller has multiple CoAs, a cultivation document, a terpene breakdown, and the licensed cultivator has had the opportunity to analyze the flower themselves and verify the stated numbers? Well now you could easily be looking at \$30-50k for genetics that exceed the 24% mark. This naturally may change in the future, however at the time of writing this (Late '23), it holds true.

If a royalty option is something both parties agree to, expect less to be paid up-front.

Significantly less. It's risky for the genetics seller, because the seller is relying on the capacity of the license holder to be able to mass-produce it AND have it turned into a sellable product in the near future AND that they uphold their end of the bargain AND that they don't go out of business. Remember: From Q3 '22 to Q1 '23, there was a churn of over 30% of all Medicinal Cannabis License holders. The odds are unfortunately not in favor of them sticking around long-term to be able to productize a new cultivar.

However, asking for something like 3% can be beneficial IF the buyer succeeds in getting a product to market. We've heard of some even as high as 7-9% for outstanding genetics.

There will need to be a watertight legal agreement with the buyer and the seller, and at that stage the sellers anonymity will basically go out the window. Is that worth the risk?

So let's look at a couple of examples here:

1. There's a CoA for 20% THC, but little more than the name of the strain. Expect somewhere around \$50-100 per-clone (rooted).
2. There are two CoAs and a cultivation document, hitting 23%+ consistently. The sale is for a dozen rooted clones all from the same mother plant, in a clone-dome, and it's being delivered to the license holder. A reasonable offer may be around ~\$25-35k depending on a variety of factors.
3. There are multiple CoAs, all showing 26-28%, and flower has been provided to the buyer to validate with their own HPLC testing. The cultivar document contains a terpene breakdown, and all samples have been sent samples off to dNature for hLVD testing. The cultivar document is a slick looking document too with a bunch of pictures, detailed grow experience information and more. The seller provides a dozen small plants, as well as a tissue culture sample. I would suggest negotiation could potentially be \$10-15k up-front and ~5% royalties, or even as much as \$50k as a once-off lump sum to purchase without royalties.

There are huge variations, but it's always worth the seller being mindful of the buyers perspective: Why are they buying these particular genetics? What is being offered that nobody else can provide? What assurances do they have in buying these genetics?

In the event that the buyer kills the genetics (believe me, it does happen more than it should), then usually the arrangement will be for them to buy a second set at a highly discounted price. For example if they've bought half a dozen rooted clones for \$30k, but they died off after a week due to over-watering or a failure in their facility, then generally the seller would offer to replace those clones for somewhere around \$1-2k within the first month since the sale took place.

If after that month, the genetics have not been able to be kept alive still (which again, unfortunately does happen), then usually it would revert back to the full price for the buyer to re-purchase the genetics all over again.

A few words of caution here for sellers:

- At no point should the buyer ever get a "free look" at the live genetics. Flower or fan-leaves (for hLVD testing) only. No fresh meristem / clones etc
- If the buyer wants the genetics, they don't get to test things out in their environment, or do a few seasons with it. That's simply not how the world works. You don't get a Maccas meal before committing to paying for it because you wanted to see how their fish burger was going to agree with your stomach on the day.
- Going for "payment plan" options always carries further risk.
- Remember that up until the hand-over, technically what is in your possession could land you in trouble, so minimize your risk.

All of this is simply to caution against greed. Plan for the worst, hope for the best, and it'll all aid in a smooth handover.

## Handover process

This is arguably the highest risk moment of it all for a legacy cultivator: having the genetics somewhere in public.

The licensed buyer doesn't have that same risk, provided they have completed Form D then they can basically collect any genetics, from anywhere, be it seeds, rooted clones or technically even fully mature plants 8 weeks into flower.

When transporting the clones, ensure they're safe + secure, and not going to be visible. Having them in a clone-dome inside of a tote from Mitre10 or Bunnings is usually a wise idea for transportation. If they're clones / small plants then the smell should be negligible, but the seller won't want to be driving them around for days. Alternatively, wrap the clone dome in a black-sack or similar to prevent any external visibility.

Here's how the process would ideally be carried out for the handover:

1. The buyer confirms they want to purchase the genetics, they've shown the seller a (potentially redacted) version of their license.
2. If the seller doesn't already have rooted clones ready and available, they may need to take them. This could involve waiting for a current mother plant to be large enough to take cuttings from, taking the cuttings and then waiting for them to root. Hopefully during negotiations the seller has managed to keep a plant ready for such an eventuality. Some skilled buyers may be OK with unrooted clones provided they're taken fresh. Many commercial entities may not be though. Label the clones, even if it's a single cultivar, having their name written on their container somewhere is never a bad thing.
3. When they're rooted, agree on a date / time for the handover to take place, usually this should be within 48-72 hours so that the clones have just been hardened off. If it's over a weekend, that can make things difficult to plan but not impossible.
4. Confirm that the buyer will have the cash for the transaction, and the amount to be paid. If it's being paid online then expect that because you've signed something it should be paid within X number of days. For something this large / important, an accounts team should be able to make a special payment on the same day. The license holder may need to have this prearranged.
5. When driving to meet, the seller should have a printed letter from the buyer stating the intentions, in case the seller gets pulled over on the way. Whatever licence has been provided, even if redacted, should also be printed.
6. Drive cautiously, drive defensively. Don't take the shortest / most direct route. Don't try to run that orange light. Similarly for the return trip, both for the buyer and the seller. You don't want to get into an accident and have to explain why there's a controlled drug in the vehicle.
7. If meeting in public, meet somewhere that there are at least two ways in / out, not down a dead-end street. If both parties are meeting on the corner of a 3-way

intersection then even better. Potentially have the place scoped out in advance on Google Maps Streetview so that there is a familiarity / awareness of the surroundings.

8. When arriving, ensure that the person being met is the person that the discussions have been taking place with, or a predetermined middleman.
9. There should be no surprises on the day. If anything smells fishy then it is better to walk / drive away, and try again at a later date.

The actual handing over usually is the easiest part, however being in-person can be daunting for the genetics seller due to their face now being visible.

Again this is where having somebody else “broker” things may be beneficial, and contacting a trusted middleman company can provide everyone with some certainty / anonymity.

## Post-handover expectations

The buyer may have requested exclusivity over genetics, especially if these have been custom-bred. In which case they may have asked the seller to sign a statement of some sort indicating that this is the case. Realistically though, it's kind of worthless paper, given legacy genetics get passed around the underground scene. As such, unless the seller is specially breeding these genetics just for this one sale, then oftentimes it's worth pushing back on if the seller is seeking privacy. Again though, that can impact the sellers negotiating strength.

The seller may also request to see photos of the first seasons grow or similar, and have them emailed / DM'd to them. While not entirely unreasonable, some companies may not be comfortable with sharing photos from inside their growspace, and so this should also be negotiated in advance. However, it's worth the licensed company maintaining a good working relationship with the seller in case they ever need to ask them any questions about how the genetics are growing, why they are behaving in a certain way, or referencing their own growing progress with the sellers to see if they had experienced similar things. Liaising through a messaging application that has short disappearing message timers can be an option.

If there are royalties / delayed payments to be made, it's naturally in everyone's best interest to maintain a level of transparency there around the process, especially if it comes to the commercialization of a product. Regular contact should be made from the buyer in this instance to keep the seller up to speed with how that is progressing. Be mindful that usually to confirm large scale commercialization may take 4-6 weeks to take clones, 4-6 weeks for a growspace to become available, and a further 12 weeks to vege / flower, so it won't be a quick process.

Alternatively, a "thankyou for your time, we may never see you again" arrangement isn't uncommon either. Either way this should be negotiated prior to handover.



## Additional questions / answers

Anything more in here that hasn't been covered elsewhere

### Q. What's the "average" sale price?

- A. Usually we don't see sales going through without multiple CoAs, so the \$25k-35k mark is often a good starting point for negotiations for both parties if it's going to be C.O.D. There's still a fair few that go through in the \$500-2k mark with a single CoA though.

### Q. Why don't license holders just do their own pheno-hunt?

- A. Some do, but it can be a hugely expensive and time consuming process. The genetics may be prone to changing sex halfway through, or they may require a level of humidity control outside of their environments' capacity, which means it's all a total write-off. It's far easier to walk up to a legacy grower, buy their genetics, and hit the ground running instead of having to spend 6-12 months on a good hunt with multiple grows. An underground grower would usually make use of all the resulting dried flower from their pheno-hunt, which offsets some of the costs / effort for them in that sense. A license holder usually can't, the resulting flower is predominantly wasted until it's in full production. Keep in mind that the stickered potency value on many seedbanks is often not entirely accurate, or will represent a range such as "22-26%". At 22% it may not represent much value to a company to commercialize, but at 26% it can, hence why paying for a decent cut can be worthwhile.

### Q. Is it just about THC that they're after?

- A. Yes and no. Some may be after things such as CBG, THCV, Δ8 THC, but buyers for those are far less common. Unfortunately terpenes too are a "nice to have" but sadly don't impact on the sale price at this point in time. Some license holders have been looking for a higher potency 1:1 CBD:THC as of early 2024 but no doubt that'll be found & fulfilled soon enough.

### Q. How does delivering dried flower for testing differ from delivering clones?

- A. It's largely the same, except it's significantly easier to be discreet about a 10g flower sample. Don't use a ziploc bag, they're rarely completely air-tight. Get a Grove bag instead. Otherwise, the handover is effectively the same except the seller is unlikely to get paid anything for that dried-flower small sample being provided.

### Q. With more and more getting tested, what sort of potencies are realistically out there?

- A. The amount of variation in potency is incredible. Many novice growers, even with decently potent genetics will often come up in the single-digit Total Potential THC range. As they progress, oftentimes enthusiast level growers (even ones who've been doing it for a decade) will hit the 14-17% threshold. It takes a fair amount of skill, love, attention, and a pretty well dialed in growspace to be consistently breaking 22% though. There seems to be a bit of a bell-curve with most "average quality" flower being in that 14-17% range, which also lines up with why internationally nothing under 18% is

generally able to be sold. It's a crude measurement, we know, and we don't particularly like it either with little value on terpenes / entourage effect / the nose / the bag appeal. However, if it's coming out at 22%+ then it's likely "premium" and the grower either got ridiculously lucky, or knew exactly what they were doing. As such, it's going to be achieving those premium potency levels.

**Q. Is it necessary to provide Tissue Culture to reach higher pricing / value?**

A. Not at all, it's more of a "nice to have", and many facilities don't yet have the capacity to use it anyway. However if the seller has managed to make a DIY flow hood, or purchased a kit, then it definitely goes a long way towards showing the buyer that the seller is very serious.

**Q. Why haven't we heard more about this sort of thing taking place?**

A. Many growers have previously been lowballed, hard. Some have used genetics to try to get themselves into the industry. It shouldn't have to be that way. We're hoping to remove some of the stigma and the mystery that shrouds this all, and really help the industry to elevate their game. There's also been an element of secrecy from larger companies who don't want to be associated with or acknowledge the legacy aspects, again something we hope will change in the future.

**Q. What growing medium is best to provide the genetics in?**

A. That will vary between companies and their individual requirements. Rockwool is generally considered the most sterile and least likely to come with further issues from the buyers perspective. However the buyer should be placing it into isolation anyway. There's a fair to high chance that a licensed company will be immediately taking those plants to make into their own mothers to take clones from, and can work with basically anything at that stage.

**Q. Shouldn't genetics be free?**

A. There's merit to that for sure, but if somebody has poured their heart and soul, along with countless hours into breeding / selecting said genetics, then shouldn't they also get paid for it? Especially if a company is going to commercialize their genetics and potentially stand to profit a lot of money? On a personal level, I would much rather see people are paid appropriately for their time and effort.

**Q. Will you buy my genetics?**

A. Maybe! We have quite a variety ourselves already, many of which are sufficiently pheno-hunted. However, we're always on the lookout for new, fresh, and unique genetics. We strongly believe the industry is going to move towards a more niche / artisanal and a craft space, likely mirroring what we've seen with craft beer and the wine industries. There should be an increasing demand from licensed cultivators for genetics, so even if we don't specifically have a need for them ourselves, we likely know somebody who could.