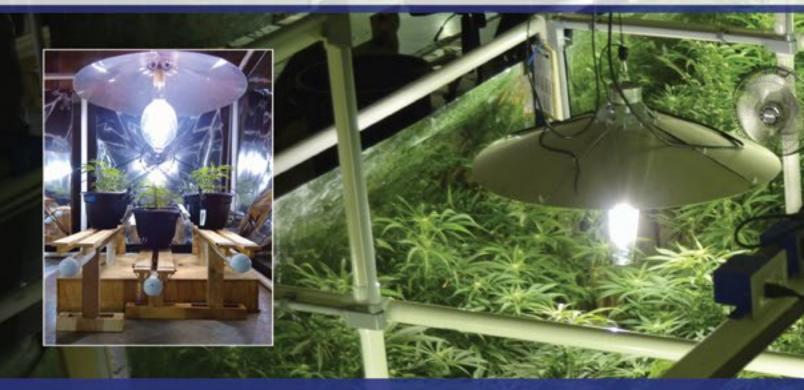


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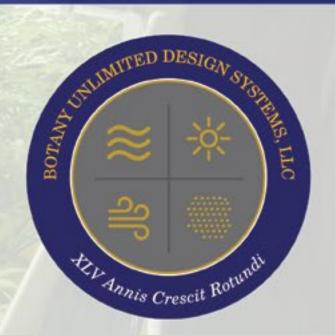
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features



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Marijuana Venture compares the ways cannabis and wine are created, marketed and sold in this multi-part story that features wine entrepreneur Ross Mickel and Jian Malihi of Clarity Farms

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After 70 years, a new generation of farmers has resumed hemp cultivation in Tennessee, but they've quickly discovered the regulations are just one of the many challenges

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ABOUT THE COVER: Jessica Corcorran shows off a hefty branch from Clarity Farms' fall harvest. The Columbia Valley's prime soil and climate contributed to Clarity's success. *Photo by Gary Delp*.







MJVenture



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mission

Marijuana Venture's goal is to provide the best information possible to the legal, licensed, commercial marijuana business. Our belief is that a great business publication will help professionals in the industry create more efficient and profitable businesses.



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Greg James Publisher

Greg founded Topics Entertainment in 1990 and grew it to be the largest privately held consumer software company. After graduating from Bellevue High School in 1975, he enlisted in the Navy. He was honorably discharged after serving from 1975 to 1979. He has four kids and enjoys skiing, hiking, scuba diving, sailing, biking and foreign travel.

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Shelby is CEO at Tahoma Growers, a family-owned producer/processor in Goldendale, Washington. Like most Pacific Northwest natives, she enjoys hiking with her dog Juno, yoga and "product testing" for the farm. She studied history at the University of Washington, a degree she has used but once.

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Running a lemonade stand

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BUSINESS



A few years ago, my daughter, who is now 13, ran a very successful lemonade stand for several weekends in the summer. She made me proud, because she generated

some really decent money and donated all of it to a big hospital in town.

It was a wonderful way for her to learn about business. However, it was also an appropriate thing for a 10-year-old to do because it wasn't very complex or difficult. There were no taxes, no employees, no lease (we set up in a park), no insurance, no business license, no inspections, and it was all cash. In

fact, her lemonade stand was so simple to operate, that I'd suspect most 10-year-olds could run one successfully (with a bit of help from mommy or daddy, of course).

I'm guessing a few readers might see where I'm going with this. Operating a lemonade stand is a far cry from running a real juice business, in which the competition includes heavyweights like Min-

ute Maid and Tropicana (owned by Coke and Pepsi) and various other smaller, but no less experienced, competitors like Naked Juice and Odwalla (also owned by Coke and Pepsi).

When people ask why a fair number of cannabis businesses are struggling. I use the lemonade analogy. It requires a vast leap of experience, knowledge and skills for marijuana growers who learned their trade from the pages of High Times to go from an indoor, illegal, garage grow to a successful commercial ag operation.

As tough as it might be to acknowledge, it's no different than my daughter going from running a lemonade stand to managing a commercial juice factory.

(A few issues back, Tim Smale, co-founder of Remedy Compassion Center in Auburn, Maine, wrote: "The transition from a small cultivation to a sophisticated production process where cultivators follow standards with no deviation from formulas to create consistency is a big leap for many, and we haven't found anyone who could make that transition successfully.")

In the past, I've listened to a few speakers at the numerous marijuana conventions and shows, and often leave feeling completely underwhelmed. Many of the so-called "experts" are the same tired speakers who travel the show circuit and possess very little real-world business experience. To put it bluntly, winning a Cannabis Cup 20 years ago is not the type of qualification I'd be looking for in someone to advise me on setting up a commercial cannabis cultivation business.

Recently we published an article on pest control written by Suzanne Wainwright-Ev-

> ans. Several readers commented on her article, and thanked us for publishing content from a highly-qualified expert on agricultural pests. I found Suzanne while researching the Cultivate'16 show in Ohio. For those unfamiliar with Cultivate. it's an annual trade show in Columbus, Ohio that is organized by the American Horticultural Society. This

year, it will be July 9-12. For most traditional businesses in controlled environment agriculture (CEA), it's a must-attend annual event. If you're a commercial marijuana grower, or aspire to be one, I strongly suggest that you investigate Cultivate. At Marijuana Venture, we've decided to attend and exhibit — this year because we believe that the future of professional cannabis cultivation lies outside traditional "pot culture," and with the same folks who have run commercial ag businesses for decades.

I'm not suggesting you skip the traditional pot shows. However, I'm convinced that it makes good sense to occasionally step out of the comfort zone where "preaching to the choir" has become standard operating procedure.

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Course focuses on controlled environment agriculture

SOUTH WINDSOR, Conn. — Growers Supply will host its next CEA Hands-On Workshop on April 27-29 at the Growers Supply CEA Learning Center West in South Windsor, Connecticut. The event will be the fourth installment of the company's ongoing series of workshops planned for 2016.

The three-day series will educate attendees about the latest in growing techniques and technology. The workshops will be taught by Growers Supply experts and industry specialists.

"The workshops are really intended for growers of any experience level — anyone that is looking to broaden their knowledge of, or experience with, controlled environment agriculture," assistant marketing manager Justin Dunham said.

It will start with a crash course on the basics of hydroponic crop production, where attendees will learn the benefits of different hydroponic systems. Other subjects will include various concepts of plant nutrition, calibration, nutritional testing and supplementation.

The workshop will move into more complex territory with hands-on classes focused on controlled environments, covering topics such as controlling temperature and humidity, sizing a greenhouse, integrated pest management and more.

"The company has been involved in the horticulture industry for over 40 years,"

sales manager John Kozlowski said. "We want to share that knowledge with these growers."

Industry experts will also be teaching courses on aquaponics.

There will be six more workshops held during the course of 2016: May 17-19, Sept. 13-15 and Nov. 8-10 at the Growers Supply Learning Center in Dyersville, Iowa, and on June 15-17, Oct. 12-14 and Dec. 7-9 in South Windsor.

The \$995 ticket price for the three-day event covers the hotel stay, lunch and the complete course workbook. All attendees receive a \$995 credit that can be used toward the purchase of any controlled environment product. Tickets are available now.

More information: www.farmtek.com.

MORE EVENTS

April 5-6: The fourth annual Indoor Ag-Con will be taking place April 5-6 at the Las Vegas Convention Center in Nevada. The event highlights the driving technologies behind the agriculture industry. Indoor Ag-Con will feature two full days of conferences and speeches tailored to corporate executives from all facets of the agriculture industry. The show has an expanded exhibition hall for vendors and an after-hours party for networking opportunities.

Tickets and sponsorship packages are available now.

More information: indoor.ag.

April 9: Just in time for businesses to start getting details in place, the Alaska Marijuana Industry Association will host a trade show and job fair April 9 at the Dena'ina Center in Anchorage.

The one-day event, co-hosted by the National Cannabis Industry Association, will run from 10 a.m. to 5 p.m. It will feature a business-to-business trade show with vendors, speakers and presentations, along with cannabis-related companies that are looking to hire employees. People who need to acquire a marijuana handlers card, which is required by the state for some positions, can receive training at a discounted rate.

The event is open to the public, but people are encouraged to sign up as members with the AMIA.

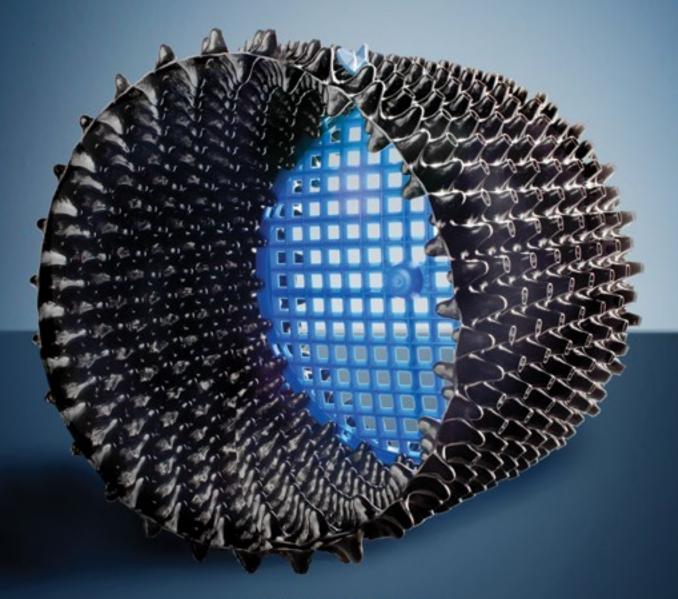
More information: www.alaskamarijuanaindustry.org.

April 10-11: The inaugural CannMed 2016 is set for April 10-11 at the Joseph B. Martin Conference Center inside the Harvard Medical School in Boston. The conference is dedicated to showcasing professionals and companies working with the endocannabinoid system and conceptual practices for the use of cannabinoid therapeutics in neurological disorders. The show will open with a dinner reception on April 10. A full-day conference will be held the following day. Conference topics include the applications of cannabinoid therapeutics in neurological disorders.

More information: medicinalgenomics. com/cannmed2016.



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April 24: The Oregon Marijuana Business Conference will be at the Hilton in Eugene, Oregon on April 24. The single-day event will feature topics surrounding the Oregon market as the Liquor Control Commission has already begun being accepted by the Oregon Liquor Control Commission. Formerly known as the Oregon Medical Marijuana Business Conference, the event plans to address the politics, activism, business and culture of Oregon's cannabis industry. This event is specifically targeting current and future retailers, processors and cultivators throughout the state by catering the show's content to attendees and what they can expect as they begin the application processes. Tickets are available now.

More information: oregonmbc.com.

April 27: Employment Law Essentials for Canna-Businesses is a presentation hosted by Fisher and Phillips LLP at SoDo Park on April 27 in Seattle. It will cover the fundamental concepts cannabis business owners and managers should know about employment law. The presentation will in-

form attendees about the legal rules covering a myriad of subjects like on-boarding, termination, leave requirements, wage and hour laws and best practices to avoid lawsuits. The presentation will start at noon. Registration is available now.

More information: laborlawyers.com/canna-businesses.

May 7-8: The CannaGrow Expo will be in San Diego on May 7-8 at the Paradise Point Resort & Spa. The expo will focus on education for cannabis growers, dispensary owners, grow managers and enthusiasts who are looking for the newest and best in technology, tools and techniques. The expo will feature 18 different educational sessions hosted by expert growers. Single-day access passes are available now for \$189 and two-day passes are available for \$369.

More information: cannagrowexpo.com.

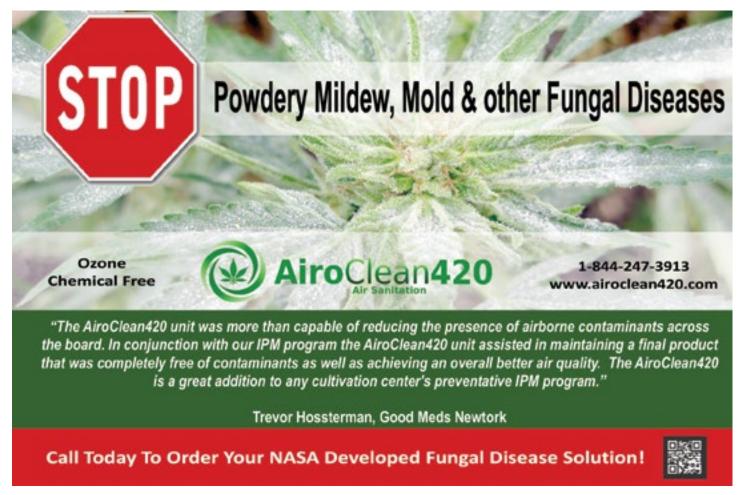
May 9-11: The Spring 2016 Marijuana Business Conference & Expo will be at the Gaylord Palms in Orlando, Florida on May 9-11. The show will host more than 3,000 industry executives and inves-

tors looking to contribute to the growing cannabis market. Similar to previous conferences, the event will also be home to an expo hall for vendors. Retailers, growers and processors are invited to participate in roundtable discussions, and attendees are welcome to join the Q&A and panel sessions hosted by industry experts. Attendees will also have additional networking opportunities, including a crash course for industry newcomers, a women's breakfast and a legalization benefit.

Tickets are available now. Use the promo code ThanksMJVenture50 at checkout to receive \$50 off ticket purchases.

More information: mjbizconference.com.

May 12-13: The annual NCIA Lobby Days returns to Washington, D.C., on May 12-13. The NCIA invites members from across the country to hit Capitol Hill to show the nation's decision-makers the face of legal cannabis. The NCIA wants members to lobby for the progression of the recreational and medical cannabis industries by telling their stories to representatives, urging them to fix the national issues that





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- 3. Top-flight Speakers. Take home critical information you can put to work to build business and profits from our roster of speakers experienced and qualified in the business of medical and industrial cannabis.
- 4. More Marketing Opportunities. Imperious offers meet and greet marketing opportunities preshow, at the show and after the show. Opportunities to establish vital contacts to grow your business.
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Contact us today @ImperiousExpo.com have continued to plague the industry. The event is for NCIA members only.

More information: the cannabisindustry.org.

June 15-17: After a pair of successful shows in 2015, the Cannabis World Congress & Business Expo will return to the Javits Center in New York City to kick off the summer. The expo is set for June 15-17 and plans to deliver business connections, workshops and educational seminars. The show's organizers have also announced a follow-up to their Los Angeles event for September 2016.

More information: cwcbexpo.com.

June 20-22: The Cannabis Business Summit and Expo will be held June 20-22 at the Oakland Marriott City Center in Oakland, California. The NCIA show will include a network of 3,000 growers, dispensary owners, senators, congressional representatives, processors and NCIA members. The show will also include more than 30 industry sessions, Cannabis Carnival III and industry speakers. Tick-

ets are available now with a special discount for NCIA members.

More information: cannabisbusiness-summit.com.

July 9-12: AmericanHort presents Cultivate 16 at the Greater Columbus Convention Center in Columbus, Ohio on July 9-12. The all-industry horticultural trade show will host more than 120 educational sessions throughout the four-day event. The eight-acre show floor will be home to various networking opportunities, product announcements and vendors from across the country. Registration for the event opens March 8.

More information: cultivate16.org.

July 20-21: The **Imperious Cannabis Business Expo** will be hosting its two-day event at the Tacoma Dome in Tacoma, Washington on July 20-21. The show will be geared toward the medical cannabis industry, including everyone from start-ups to seasoned veterans. The show will feature a number of industry specialists, exhibitors and keynote speakers. Sponsorships, exhib-

itor space and tickets are available now.

More information: imperiousexpo.com.

Sept. 22-23: Canncon, a scientific organization dedicated exclusively to cannabis testing and research, will be holding a conference in Portland, Oregon on Sept. 22-23. Not to be confused with the trade show of a similar name in Seattle, this twoday conference will bring testing experts together with attendees who are looking to learn more about testing processes, cannabis science and research. Topics will include sample preparation, chromatography, mass spectrometry, terpene profiling, contamination analysis (pesticides, residual solvents, microorganisms and heavy metals), genetics/genomics, regulations, legalization, scientific methods/standards and medicinal cannabis. A venue for the event has yet to be announced. Registration is available online now.

More information: canncon.org.

To submit an event for inclusion in the Marijuana Venture calendar, email Editor@MarijuanaVenture.com.

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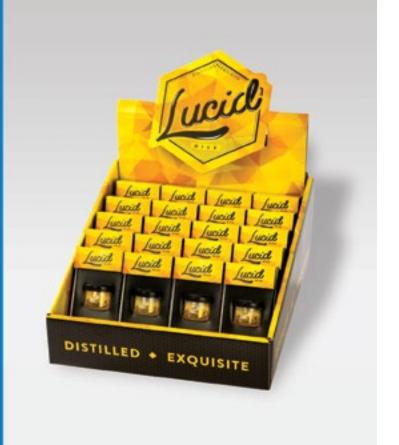
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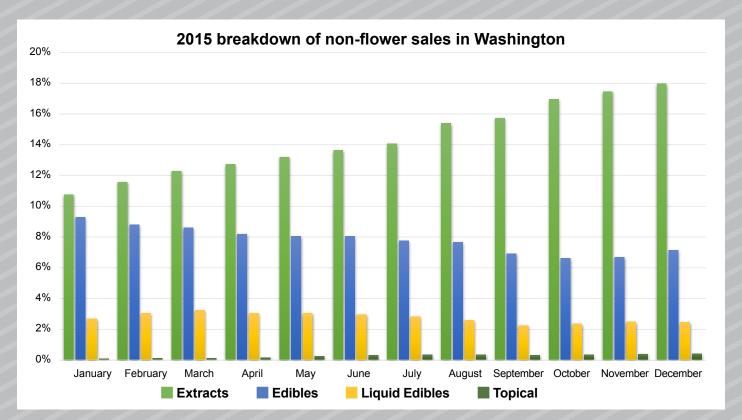


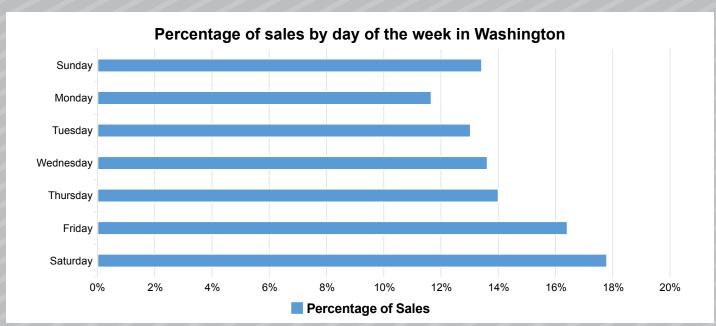
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A look at business metrics from the legal cannabis market, with information provided by FrontRunnerData.com





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Euphoria Wellness

Long-time advocates move into legal cannabis frontier By Patrick Wagner

LAS VEGAS — Marijuana delivery services have typically been seen as the grayest of gray areas, even in states with cannabis-friendly laws.

But as more legislators look at progressive approaches to curbing the black market, states like Oregon, California and Nevada are developing regulated delivery services. Nevada lawmakers recently paved the way for cannabis delivery, and Las Vegas' first licensed dispensary has embraced the new, legal opportunity.

Before Euphoria Wellness established its delivery system, many consumers didn't realize they were receiving deliveries from an illegal process, dispensary spokesman Jim Ferrence said.

"They appear to be legal, in nature, but they are just not," he said of the prevalent black market distribution channels. "That's the transition that we're trying to make."

Ferrence and owner Joe Lamarca worked with the Clark County sheriff to ensure Euphoria's delivery service complied with state law. Specifics like GPS monitoring, a state-approved safe for product storage and a manifest tracking each delivery were just a few of the requirements. Although Nevada dispensaries offer reciprocity to out-of-state patients, deliveries can only be made to Nevada residents at their registered address.

Company: Euphoria

Wellness

Location: Las Vegas,

Nevada

Owners: Joe Lamarca and

Larry Doyle Employees: 39 Operations:

20,000-square-foot cultivation facility using metal halide and highpressure sodium lights; 2,000-square-footdispensary

While delivery services are an interesting facet of Euphoria's operation, the business is set up to capture the tourist market of Las Vegas.

Residing in the most famous gaming city in the world definitely yields some perks when it comes to security — the dispensary has a direct camera feed to the local police department. It's also created higher expectations for consumer experiences.

"We're aspiring to be the Nordstrom of cannabis," Ferrence said. "So you'll see that in the look of the dispensary and that's what we've aspired to be — high-end, sophisticated, but also safe. Overall we have to be a combination of Nordstrom and Fort Knox."

The opening of Euphoria Wellness was the culmination of 30 years of advocacy by Lamarca and co-owner Larry Doyle. Lamarca and Doyle knew the process for opening a dispensary in Nevada would be long and drawn out, so they opted to keep the overhead to a minimum. Euphoria Wellness has been able to fund the infrastructure of the cultivation facility through the proceeds of the dispensary.

After the state Legislature determined in 2015 that licensed cannabis businesses could transfer ownership, Euphoria Wellness began actively looking to expand throughout Nevada.

"We immediately went into expansion mode," Ferrence said. "Every year there is at least another 150,000 out-of-state cardholders that are coming to Las Vegas."

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Talent Health Club

You can take the couple out of Wall Street ... By Patrick Wagner

TALENT, Ore. — Jamin Giersbach managed a computer department for a major health care company on Wall Street before he and his wife, Melissa, decided to move out west for a slower pace of life. The Giersbachs left the crowded metropolis behind in 2005 for Southern Oregon, but the easy-going lifestyle didn't quite take.

"We were having a lot of fun out here for a few years, but we got a little restless," Jamin said. "My wife and me — we like a lot of activity around us."

Together the Giersbachs started Rogue Farmers, a 3,000-square-foot growers supply store in Talent. Since opening, the store has more than doubled in size and is now among the largest grow stores in the Pacific Northwest.

"What started off as something that was going to be incredibly small and basically run just by me and Jamin is now a multi-million-dollar business," Melissa said.

Rogue Farmers inadvertently became a

backdoor into the cannabis industry. The cannabis growers who had bought supplies from Rogue Farmers were adopted as vendors when the Giersbachs opened the Talent Health Club medical dispensary.

Located next door to Rogue Farmers, Talent Health Club features a 1,450-square-foot sales floor with three points of sale, a velvet-roped area for medical patients and a rotating gallery

of local art stretching nearly 30 feet from the floor to the ceiling.

"We are going to actually have an express checkout lane because I know that some people can really camp out at the register," Jamin said. "We have a lot of regulars — repeat customers that just know

what they are looking for and just want to get in and get on with their day."

The company plans to add digital displays, sniff jars of product and racks of industry-specific clothing to peruse.

Above the sales floor is the Giersbachs' office where they manage Talent Health Club, Rogue Farmers and Highly Distributed, a wholesale distributor that supplies more than 140 dispensaries with product from local growers and processors.

"To be successful I think competing against yourself is the best way to keep people honest," Jamin said. "I have a lot of exclusivity here that I set up early on with some of the best growers in the state.

I set brands up with our wholesale company and our wholesale company now sells to all of the other operations around here in Southern Oregon. It really keeps me on my toes and keeps me working hard to search out all of the other hottest products and to bring them down south."

Company: Talent Health Club

Location: Talent, Oregon

Owners: Jamin and Melissa Giersbach

Employees: 8

Top vendors: TJ's Organic Gardens, Proof Cultivar, Dirty Arm Farm



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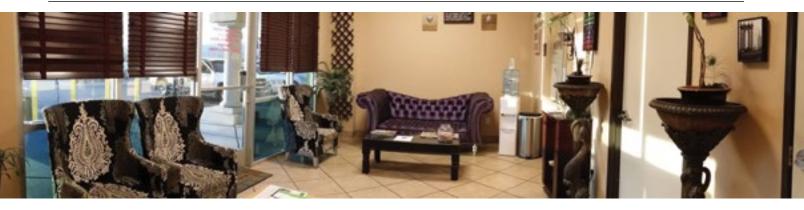
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Valley Healing Group

Business model based on community fuels Arizona dispensary By Patrick Wagner

BULLHEAD CITY, Ariz. — Valley Healing Group doesn't view other dispensaries in Arizona as competition. The non-profit dispensary sees a brighter future for itself by following a more communal business plan.

"Instead of looking at them as competition, I like to look at them as teammates," director of operations Alfred Abramian said.

With nearly 80,000 qualified patients in Arizona, Abramian believes there's enough business for every dispensary. Abramian said Valley Healing Group actively lines its shelves with products from neighboring producers and retailers, who then reciprocate the business.

"We all do business together," he said.
"We all share product. People should have the option of figuring out what is the best medicine for them."

Valley Healing Group stocks about 60

different strains on its shelves.

The owners of Valley Healing Group opened the dispensary just 20 miles east of the Mojave Desert in 2013. Since then, the non-profit has expanded to include a 25,000-square-foot indoor growing facility and an extraction lab. A commercial kitchen has been added into the fold, and will be ready for business as soon as the

company ensures all the ingredients are organic and locally sourced.

"The food itself needs to be healthy to begin with," Abramian said.

He said having a deeper connection with patients is paramount for a business in a city with less than 40,000 people.

"You can't get the same personal relationships if you're seeing hundreds of people," he said. "The wholeness with the community allows us to interact with patients and actually listen to their problems and genuinely try to help them and guide them toward the right product."

Wholeness with the community is something that Abramian said has been incorporated into the design of the store, not just in the aesthetics, but in the entirety of the consumer experience.

"This is home. Everybody who comes

in here, we already know their name," he said. "A lot of these people are on a heartto-heart basis with the budtenders."

He said it's a completely different experience than a lot of other dispensaries offer.

"It's cozy like it would be at your home."

Company: Valley Healing Group

Location: Bullhead City, Arizona

Employees: 20

Operations: Dispensary, 25,000-square-foot indoor, hydroponic grow

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Rx Green Solutions

BULK and ENERGY are two new additives in the Rx Green Solutions family of products. The base line of nutrients provides a complete package of macro- and micronutrients required by plants, but for growers who want more control over certain aspects of the process, BULK and ENERGY are designed to help plants reach their maximum potential.

ENERGY contains natural ingredients designed to stimulate soil microbes, improve chlorophyll production and increase plant biomass. Using molasses, yucca, kelp and humic acids, ENERGY contains organic components as well as traditional minerals to increase soil fertility, enhance nutrient uptake and boost plant immunity and disease resistance. These benefits lead to a healthier and stronger plant in the vegetative stage, which supports greater bud development in the flower stage.

In the flowering stage of the plant, additional phosphorus and potassium are often needed to produce optimum flower density and quality. BULK uses plant-derived amino acids and carbohydrates to increase photosynthesis. The natural ingredients in BULK, coupled with essential minerals, provide a highly bioavailable source of nutrients for the flowering plant's increased energy demands.

Rx Green Solutions focuses on providing safe, food-grade plant nutrients for cannabis growers. BULK and ENERGY were developed specifically for cannabis at the company's testing facility in Denver.

More information: www.rxgreensolutions.com.

Urban-gro

Urban-gro has introduced several new products geared toward serious cannabis cultivators.

The company developed the Soleil 315-watt ceramic metal halide fixture to specifically address growers' needs during the vegetative stage. The customizable mounting system ensures easy installation, and the fixture utilizes patented P.L. Light Systems reflector technology.

The system complements the P.L. NXT2 double-ended high-pressure sodium fixtures designed for flowering.

Meanwhile, the company has also introduced a line of horticultural LEDs for growers looking for a more efficient approach than traditional high-intensity discharge bulbs.

"Urban-gro has been tracking LED technology closely, and P.L. Light's HortiLED is a game-changer," said Shelly Peterson, Urban-gro's vice president of lighting sales. "HortiLED will finally offer growers an effective LED solution with the perfect combination of high performance and energy savings."

Urban-gro said the LED bulbs are 42% more efficient than 1,000-watt high-pressure sodium counterparts. The HortiLED line features three different products: HortiLED Top is a versatile LED fixture suitable for top lighting of all types of crops; HortiLED Inter is for high-wire cultivation of greenhouse vegetables and has a reflector designed to distribute light evenly on the top of the leaves; HortiLED Multi is for multi-layer cultivation, growth chambers, air-conditioned containers, tissue cultivation and dimmable experimental set-ups.

"The new HortiLED products are designed to deliver the best possible lighting performance to maximize yield and benefit from LED's energy-efficient attributes," Peterson said. "We know how important it is for growers to have a cost-effective, power-saving light with the correct intensity to maximize plant yield."

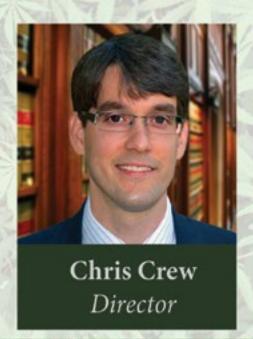
Urban-gro also recently merged with Cannabis IPM Solutions to offer commercial pest management options.

"I look forward to educating Urban-gro's extensive customer base on how to control powdery mildew, spider mites, root aphids and other pests in this rapidly changing regulatory environment," said John Chandler, Urban-gro's vice president of cultivation technologies. "Although we offer both synthetic and organic product solutions, many cultivation operators are looking for organic solutions because they want to stay on the right side of the regulators."

More information: www.urban-gro.com.







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Centurion Pro Silver Bullet

The Silver Bullet might just be the luxury model of commercial trimmers.

Not only does it have the same precision, quality and speed as the award-winning original Centurion Pro trimming machine, but it also incorporates a marine-grade Bluetooth stereo, large-capacity folding hopper and a silencer that reduces leaf collector noise by 30-40%.

The company says the machine is capable of replacing more than 20 employees at the job site by trimming up to 12 pounds an hour dry or 60 pounds an hour wet.

More information: www.cprosolutions.com.

SneakGuard

SneakGuard is a locked, vacuum-sealable storage container designed to keep marijuana and other medications away from children or pets.

Founder Graeme Gordon came up with the idea when he discovered how easily his young daughter could open a child-resistant bottle of painkillers. It was only when states began legalizing marijuana that he got the idea of using SneakGuard to prevent cannabis from being consumed unintentionally.

After placing marijuana or medications in the container, the builtin pump can be used to remove air from the chamber to maintain freshness. The container can be locked with a custom combination that can easily be changed.

More information: www.sneakguard.com.



Cannabis Training Institute

One of the leading online cannabis educators recently announced the addition of two new courses.

Cannabis Training Institute's Dispensary Workers Health and Safety course covers employee rights, potential factors for workplace-related injuries and robbery awareness. The course also includes a supplemental segment on substance abuse.

"The safety of patients and staff is a top priority for marijuana dispensary owners," Cannabis Training Institute spokesman Luc Nelson said. "Like all of CTI's gold-standard training, our health



and safety courses are digitally delivered through an in-site learning management system and viewable from any desktop, laptop or mobile device, making it a convenient and effective way to train techs so they can deliver the best and safest customer service possible."

The Cannabis Training Institute also added a new course that covers medicinal uses of marijuana.

More information: www.cannabistraininginstitute.com.



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Helderpad

High-tech processing equipment manufactured by Helderpad utilizes short-path distillation to turn even the most useless cannabis extract into a

pure, potent oil.

"Short-path wiped-film distillation is a technique that involves separating and preserving sensitive molecules by passing them a short distance through an evaporator chamber at reduced pressure and with limited exposure to heat," Helderpad president Derek Houston said. "Basically, it allows users to make what we believe is the cleanest cannabis oil on the market."

Helderpad provides four standard refining systems ranging from the smallest, which can process anywhere between 200-5,000 milliliters of crude oil per hour, to the larger commercial systems capable of processing 150 liters per hour.

The systems are scalable and modular to allow for single or multiple stages of processing in a single pass. Helderpad also provides processing services for clients who want to take advantage of the company's refining tools on a contractual basis, without purchasing the machinery outright.

The Helderpad team consists of processing specialists with nearly four decades of experience working in various sectors of the cannabis industry. The team works with veteran chemical processing company Chemtech to continue the advancement of processing technology tailored for the cannabis industry.

"We pretty much saw the development, the continued increase of existing scientific applications in the cannabis world," Houston said. "So we went to some engineers that were already specialized in vacuum distillation and said 'Let's combine our talents and create some systems that are specified for cannabis and provide the most efficient refining tools for the cannabis industry.""

More information: helderpad.com.

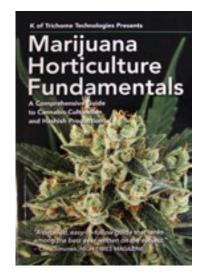
Marijuana Horticulture Fundamentals

For growers of all experience and skill levels, Marijuana Horticulture Fundamentals walks readers through every step of the cultivation process.

It is the first and only grow book ever written by Kenneth Morrow, founder of Trichome Technologies. Morrow shares tricks and tips he's discovered in his 20-year career as a cultivator and breeder. Marijuana Horticulture Fundamentals is one of the most comprehensive grow books on the market with more than 400 pages covering a wide range of subjects, including grow security, choosing cultivars, grow room basics, lighting, watering, seed germination, cloning, hash-making techniques and troubleshooting.

Whether you're looking for something basic like advice on choosing a growing medium or something more in-depth like way to optimize your facility, Morrow's book features something for everybody.

The book was published by Green Candy Press, and is available through Amazon and other retailers.





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"We're losing badly the War on Drugs. You have to legalize drugs to win that war. You have to take the profit away from these drug czars."

Donald Trump, at a luncheon hosted by the Miami Herald in 1990.

Source: The Sarasota Herald-Tribune.

"I say it's bad. Medical marijuana is another thing, but I think it's bad, and I feel strongly about it."

Republican presidential candidate Donald Trump, speaking at the 2015 Conservative Political Action Conference. Source: The Washington Post.

"This is certainly going to help some folks, but next year we're going to have a request by somebody to make provisions for people to grow pot."

Virginia state Senator Mark Obenshain (R-Rockingham), on a recently passed senate bill to allow cannabis oil for epilepsy. Source: The Washington Post.

"I want to thank the Senate for their courage in voting to end the failed War on Drugs policy of marijuana prohibition. When this debate began a month and a half ago, there were many who said it had no chance of passage in either chamber. Today it passed the Senate."

Vermont Governor Peter Shumlin, in support of a bill that would legalize cannabis for adult use. The bill was approved by the Senate, and now awaits a vote by the House of Representatives. Source: Vermont.gov.

"I'm proud to be a cultural pioneer at the forefront of another wave of progress! And we're proud of the city of Santa Ana as we continue to move into the era of recognizing cannabis as the natural, therapeutic, herbal substance medical science has proven it to be."

Roseanne Barr, on the opening of her Santa Ana dispensary, Roseanne's Joint. Source: Orange County Register.

"No one has ever gotten cancer from pot. But, sadly, I think we will see cancer patients in a few years who got sick from the pesticides in their pot. I really wish we had done better from the beginning."

Cannabis advocate Muraco Kyashna-tocha, regarding recent reports of illegal pesticide use among two Washington growers. Source: The Stranger.

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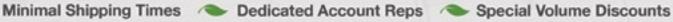


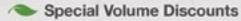


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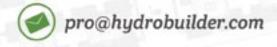
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Washington Bud Company SHAWN DENAE

Snohomish, Washington



here is a freight train full of anticipation, doubt, hope and worry thundering ahead as more states jump on the route to legalize cannabis.

A long list of shenanigans and good intentions abound along its bumpy tracks: A former IRS agent from Seattle was sentenced to prison for bribery after a medical marijuana dispensary turned him in to authorities; two prominent growers in Washington are under investigation for unlawful pesticide use; the Washington State Liquor and Cannabis Board lost applicants' fingerprints, including ours; state lawmakers allowed a home grow bill to die in session, making those who grow their own weed de facto criminals; the city of Seattle has jumped the gun for transitioning medical stores into the regulated system by giving three-week notices to begin the process now or close their doors, despite the laws giving a July 1 deadline; the Liquor and Cannabis Board held its final hearing on the 90-plus pages of rule changes, only to realize it may have to go back to the drawing board due to the strong outcry from licensees regarding proposed rules that seem to serve no purpose other than

adding more expenses.

In the meantime, we are making the transition ourselves, unclear of which rules will remain. Do we have to redesign our packaging to allow for a pesticide statement sticker? How long will getting new fingerprints hold us up? It's like building a business on top of a train, hoping it will survive as we barrel toward more tunnels, twists and turns.

But I do see a light at the end. A small group of us began the task of forming the nation's first Cannabis Commission. Like the apple, hops and wine grape commissions, cannabis agriculture could finally be researched to establish standards for the very best and safest growing, harvesting and packaging practices. The commission assessments will also pay for fact-based education platforms for both consumers and decision-makers. Information can be found at www.washington-statecannabiscommission.com.

Other bright spots are: The city of Arlington has shown that welcoming the cannabis industry provides more jobs than aerospace (one job for every 250 square feet compared to one job for every 450

square feet); fractured cannabis activists have finally come together, so the Liquor and Cannabis Board and lawmakers are better able to hear the aligned voices; a bill that will protect confidential information from public disclosure is moving forward; the market seems to be a bit more stable; and, finally, I have some excitement about the future of our fragile business venture, now that it's our turn to climb aboard.

Even though a majority of Americans agree that cannabis should be regulated, as opposed to continuing to make it part of the War on Drugs, lawmakers are slow to represent that majority. Legalized cannabis is far from a given liberty; there is resistance everywhere. If you are even thinking about jumping on the marijuana industry train, start with your local governing bodies and begin the education process. It's a long journey, and hopefully worth the high costs of the ride.

Shawn DeNae is the CEO of Washington Bud Company, an aspiring applicant for a producer/processor license. She is one of the founding members of the Marijuana Business Association Women's Alliance.



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REID INSTRUMENTS DL-4000

Moisture content is a critical measurement for marijuana cultivators. Growers must keep moisture within specific limitations to satisfy state requirements, but since cannabis is sold by weight, overly dry product means lost revenue.

Tom Reid, an engineer and entrepreneur from Eastern Washington, recognized the need for producers to accurately determine proper moisture content during the curing process, and for consumer packaging. Reid's solution was the Reid Instruments DL-4000, a tabletop unit that utilizes groundbreaking microwave technology to precisely measure moisture content.

The heart and soul of the DL-4000 is a sensor developed by Hydronix, a UK company that has been developing moisture-measuring technology for more than 30 years. The concrete industry is Hydronix's largest customer base globally, but the company started expanding into the agricultural market about 10 years ago.

The agricultural side has been a challenge, because the equipment isn't cheap. The ideal product is a high-value crop with a critical moisture content ... or something exactly like cannabis.

Reid Instruments originally licensed the Hydronix technology to build the DL-6000, which has been popular in the hops industry since about 2008. The organic similarity of hops cones and cannabis flowers made for an ideal transition between the two agricultural products. The handheld DL-6000 was too large for certain

applications, which ultimately led Reid to develop the tabletop DL-4000 model, which is preferred among cannabis farmers.

"It's pretty cool, to be honest. I'm really impressed with Tom Reid and how he's been able to develop this little niche," said Tim Statler, vice president of American operations for Hydronix. "He's the only customer of Hydronix in the world doing something like this. To our knowledge, there's nothing else out there that's able to do this, and give (farmers) the kind of consistent readings they're looking for. Every step of the way, from curing to the packaging to the rehydrating to everything else, it's proving to be a very useful piece of equipment."

The machine is simple to use and far more accurate than determining moisture by feel, Reid said. Cannabis in a plastic bag is gently compressed and placed over the sensor faceplate. At the touch of a button, the moisture is measured and stored in the system's memory. Several instant readings can be taken and averaged for the best possible results. The process is non-destructive, so there is no product loss.

Reid worked with Scott Masengill, of TumbleWeed Farm, to determine the machine's viability for the cannabis industry.

Masengill said the DL-4000 takes the subjective guesswork out of moisture evaluation, while delivering real-time data to drive harvest and packaging processes.

More information: www.reidinstruments.com.

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HEADSET

After creating one of the most popular consumer websites in the cannabis space, the founders of Leafly have moved on to test the B2B market. They recently launched Headset, a business intelligence platform for cannabis retailers after selling Leafly to Privateer Holdings.

"We're serial entrepreneurs," Headset CEO Cy Scott said. "After five years with Leafly, we decided it was time to try something else."

Having spent a lot of time with retailers and product manufacturers during the development of Leafly, Scott said he realized most cannabis companies don't have access to good systems and information to help them operate their business more effectively. During the short time frame since Colorado and Washington legalized adult-use cannabis, retail operations have grown increas-

ingly more sophisticated; now they need the business intelligence to match their packaging and marketing efforts, Scott said.

Headset is a platform designed to help retailers maximize their inventory, and better understand their breakdown of brands and prices. It provides retailers with insights about the market around them, what their competitors are doing and what brands they should be carrying based on consumer demand and profitability.

"It really all comes down to maximizing your revenue per square foot," Scott said. "We're able to do this by bringing in data from a variety of publicly available sources. It gives retailers a good visibility to what's happening in the space around them."

Headset also uses each store's point-of-sale data to bolster the information.

Washington business owners will be able to take advantage of Headset first, but a national roll-out is planned for the near future, which will include all businesses throughout the supply chain in both medical and recreational markets.

"For product manufacturers, it's also about optimizing, but they have a different set of problems," Scott said.

Unlike information that comes from state sources, information

provided by Headset for a specific retailer is only for that retailer. "We don't share that

data," Scott said.

The goal of Headset and its founders is to move the marijuana industry away from anecdotal numbers and into the realm of real business intelligence.

"We want everyone to succeed," Scott said. "If they do, the industry will continue to grow."





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Ask The Grow Expert

by Mike Long

CannaCon 2016 - Where To Go From Here?

Dear Mike: Our company has been active in the horticultural industry for decades, but just recently decided to include marijuana production in our 'target' zone. It hasn't been easy. We exhibited in the show, but came away with more questions than answers. Our team is science based, and we seemed to be up against a lot of hearsay and unproven beliefs. How does a non-traditional marijuana industry supplier make the transition to this industry?

A: I met many manufacturers of varied product at CannaCon 2016 – some in your similar situation. My contacts at this year's show were from 3 groups. Firstly, the '502' group whom we are already consulting. Secondly, the 'hobby' group who have been around forever, and finally - the exploding number of suppliers to this industry, new and old. This is not the tomato industry. The plant is different, as is the demographic. In Washington state we have many sophisticated growers in the medical marijuana industry who are about to be put out of work due to recent legislation. We may see some of the good science from the medical side move to the '502' side. Until now, the hobby portion of the industry was just that - a lot of people with experience in basements and garages. Over the last 25 years we have seen many come into our retail stores with a huge variety of skillsets. Some are good, while others believe something because 'buddy' told them so. When you consider the different in scale with the '502' operations it's easy to get into trouble quickly. There is a definite need for some of the very sophisticated technology (some of which I witnessed at this year's CannaCon). I'm Beta testing product for some suppliers now. At this show I spoke with some investors who are not technical, but expecting and demanding a fair Return on Investment. They don't want Snake Oil or hyped up product claims. Mainstream equipment manufacturers will need to be good at their game, and you do need to understand the politics of the industry. My role as consultant is to bridge the gap between the former hobby industry and the present '502' industry. Some large commercial food producers will attempt to make the switch to this product, and others will be frustrated by the differences and the frailty of the product. I witnessed some claims at the show that sophisticated operators are going to insist you back up. Frankly, there was a lot of 'reinventing' of product to attempt to suit the needs of our industry.

This was the biggest show yet, and rings in a new era of open communication and potential great business opportunities. As in all business ventures, there will be some casualties. I tell my '502's not to invest in anything without thorough planning. I tell my industry partners the exact same thing. This is a sophisticated business now, and nobody can afford to presume anything without careful forethought.

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Who needs an election? Local lawmakers could make Vermont the fifth state to legalize adult use cannabis

> Story by PATRICK WAGNER Photos by MICHAEL TALLMAN

ermont recently took a significant step toward legalizing cannabis, but the fate of Senate Bill 241 lies in the hands of the House of Representatives. SB 241 was approved 17-12 by the Vermont Senate in late February. The legislation

would establish a licensing and regulatory structure for adult use marijuana sales. If it survives House scrutiny, Governor Peter Shumlin, an outspoken cannabis supporter, is expected to sign it into law.

about a 50-50 chance Vermont will be-

At this point, advocates say there's

monters engage in on a regular basis."

"With over 80,000 Vermonters admitting to using marijuana on a monthly ba-

sis, it could not be more clear that the cur-

rent system is broken," Shumlin said in a

press release. "I am proud that the Senate took lessons learned from states that have

gone before us, asked the right questions,

and passed an incredibly thoughtful, com-

mon-sense plan that will bring out of the shadows an activity that one in seven Ver-

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Above: Senate Bill 241 would allow existing dispensaries to continue producing edibles without additional licenses.
Right: Chef Amy Bacon prepares a batch of themed edibles for Southern Vermont Wellness and Champlain Valley Dispensary, two of Vermont's nonprofit dispensaries.

come the fifth state in the U.S. to legalize adult use cannabis. It would be the first to do so through the state Legislature, as opposed to a voter initiative.

"The real question is: Can we get this through each of these committees we need to get it through?" said Matt Simon of the Marijuana Policy Project. "If it gets to the floor, I think we'll have enough votes to pass it. But there are some committees that we don't have the votes on. We have some convincing yet to do."

Simon remains cautiously optimistic, but it's far too soon to celebrate. Several weeks of wall-to-wall testimony and hearings are expected next, and the Senate victory could very well be negated if the House rejects SB 241.

"It's really been an uphill climb all along," Simon said. "We were able to get it done on the Senate side, but there's no real guarantee on the House side."

Shayne Lynn, director of Champlain Valley Dispensary, praised SB 241 as a moderate way to implement more progressive cannabis laws in Vermont. If it passes, it will create a licensing structure for cultivators and retailers.

The state would allow up to 27 growers and 15 retailers to be licensed in 2017; those numbers could double the following year. Growers would be categorized into four tiers — the smallest being licensed for up to 1,000 square feet, and the largest limited to 10,000 square feet.

Vertical integration would be prohibited for newly licensed, for-profit cannabis businesses. However, existing medical dispensaries would be allowed to continue using a vertically integrated model. Businesses licensed for the recreational market would also be limited to one license, whereas the medical dispensaries are currently allowed multiple licenses.

Vermont's strict medical marijuana laws that Lynn helped establish would remain intact. Nonprofit dispensaries would continue to operate without the mandatory 25% sales tax for adult use operations.

"This is why I support this," Lynn said. "It's moderate and yet we still get what we need in the medical market to succeed."

Lynn operates two of the four state-licensed dispensaries and was instrumental in the program's launch three years ago. Even though his operation is tiny compared to businesses in the West, he's regarded as one of Vermont's foremost experts in the cannabis industry.

After observing the changes made to medical programs in Washington and Oregon, Lynn said his chief concern with SB 241 is avoiding the boom-and-bust cycles that have plagued western states.

A study published by the RAND Corporation in January 2015 estimated about 80,000 regular cannabis users in Vermont supporting the black market. The estimated annual value of those illicit sales is \$175 million.









"It's awfully difficult to estimate usage in a completely illicit market, and that is obviously where we are in Vermont," Simon said. "The RAND Corporation's numbers, which were published about 13 months ago, are still the best estimates that anybody has."

If RAND's estimates are accurate, the state of Vermont could collect more than \$40 million in annual tax revenue through cannabis sales.

"The question of what to do with those estimates and what kind of policy to make around them is something we really wrestle with," Simon said. "Nobody will know entirely what this situation is until we regulate this market. That's what it'll take to get good data."

Vermont is just one of several New England states where advocates are looking to repeal prohibition. Voters in Massachusetts are expected to decide on an adult use initiative in the fall, while Rhode Island lawmakers will consider a bill sponsored by a state representative.

Advocates in Maine attempted to send a legalization initiative to voters, but the Secretary of State's Office invalidated about 17,000 signatures from the petition, leaving the initiative about 10,000 signatures short of the required 61,123.

The Campaign to Regulate Marijuana Like Alcohol issued the following statement after Maine's announcement: "We are very disappointed by the Secretary of State's determination. Based on documents they have provided, it appears that more than 17,000 valid signatures from registered Maine voters were excluded from the count because the signature of a single notary — whose notary commission has not expired — did not exactly match the signature the state has on file for that notary. We are exploring all legal means available to appeal this determination, and we sincerely hope that 17,000-plus Maine citizens will not be disenfranchised due to a handwriting technicality."

Vermont is clearly pushing the envelope of drug law reform, but it could be several months before questions are answered.

Lynn said he's just excited that state representatives are even discussing the prospect of legalization.

"It's not happening via referendum – these are elected officials and they are making decisions to legalize cannabis," he said. "I'm still kind of scratching my head about this."

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here are some amazing similarities between cannabis and wine. They're both widely available and sold at a variety of price points. Brands often utilize extremely divergent and creative marketing campaigns. Both are well-known for their rich history, culture and variety. But from a retail sense, wine is the tried-and-true stalwart, making it a great subject for cannabis entrepreneurs to study, particularly when it comes to developing sales techniques, packaging and marketing.

Marijuana Venture compares and contrasts the ways cannabis and wine are created, marketed and sold in this multipart story. Part one gives a winemaker's perspective on the rapidly-growing cannabis industry, and how burgeoning marijuana brands can learn from the highly competitive wine market. Part two visits the heart of Washington's wine country to meet a cannabis grower who's planted roots in the rich soil of the Columbia Valley.

0





— A Winemaker's Guide to —

Cannabis Marketing

Similarities in pricing strategies, the cultivation process and label design make wine and marijuana remarkably similar in terms of brand development

Interview by GREG JAMES
Photos courtesy ROSS ANDREW WINERY

oss Mickel understands the challenges and complexities of developing a successful marijuana brand.

But Mickel isn't a cannabis grower or retailer. He isn't a marketing guru or a so-called branding expert. Mickel is the founder of Ross Andrew Winery, a family-owned Washington business that set its sights on crafting distinctive and unique wines when it launched in 1999.

"I've been blessed to have employment experiences with true industry leaders and visionaries," says Mickel, who points to his close relationships with Canlis, Betz Family Winery, DeLille Cellars and Rosemount Estate as the roadmaps for Ross Andrew's success.

Today, Ross Andrew is looking ahead to its 17th harvest, and continues to be

one of the more celebrated brands to come out of Washington. Among numerous industry accolades, Ross Andrew produced Wine Spectator's highest-rated Washington Cabernet Sauvignon. Mickel recently shared his insight about how cannabis companies can take advantage of knowledge gained through the wine industry.

Cultivation Technology Starts Here





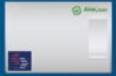
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Marijuana Venture:

What similarities do you see between the wine business and the marijuana business?

ROSS Mickel: When recreational cannabis launched in 2014, I started thinking about all the parallels between the two industries, beyond just the general — albeit important — questions you need to ask when starting a business. But to me, one of the most important things to realize (not factoring in cannabis as a medicine) is that we are vying for people's discretionary income.

A first question to answer: Are you capable of building something sustainable with that in mind?

While I'd like to argue otherwise, people don't require wine or cannabis to live. We all know that water, love, hunting and great butter are the pillars of a true and rich life, but wine and cannabis are very subjective consumer products. By that, I mean what one person thoroughly enjoys, another may not. And that doesn't mean it is bad, just that it doesn't align with their palate.

There is also the word-of-mouth component that extends from those experiences — first impressions are a big deal. The non-consumable experience of the product can be a make-or-break for many consumers. Do they like and understand your brand identity? How are packaging and marketing tied in, and do they intrigue people, getting them to ask questions and spend their money on your products? Are they able to connect to the people running the business? How are you going to educate retailers and consumers? The product needs to be good, which can vary from acceptable to truly exceptional, but they will often buy in to the brand and pay more for the experience because of that 'connection.'

I see this every day in the wine business. Of note: One significant sales channel not available to the cannabis industry is a tasting room. Until that changes, you'll need to lean heavily on the budtenders to sell your brand. Forget about them selling your product. Whether it is high-end or every day, consumers need to believe in the brand, especially since the consumer can't experience it until they leave the premise. Many growers produce great cannabis, but what is it that you are



doing differently to make it a better product/experience for the buyer?

MV. How has being part of a bigger organization — or brand family — helped?

RM: There are many advantages of having an association with a bigger organization. The first being the ability to scale — not just in terms of production volume, but in your pricing for dry goods/packaging, sales and marketing efforts, back-end office support (accounting, compliance). You also have

Ross Mickel testing a red inside the winery.



a number of people in-house that you can reach out to quickly for support — people who intimately understand your brand. There are also a number of transitional questions you'll need to consider to decide if that is the right move for your brand — but this will have to wait for another article.

What significance do assets like labels and brand names have in the wine business? Do you think the same applies to marijuana?

RM. They are critical, and I think the same does apply to marijuana. I have enjoyed some really great wines in a group blind setting, only to look at the label and be really disappointed with the packaging. So much effort goes into crafting what ends up in the bottle (or container), and to not put that same effort into the packaging can render your efforts moot.

The label (and package) needs to look like a real product, not something dreamed up at a dinner party and printed by your best friend's friend. Retailers and consumers will start to buy in to the quality and brand even before trying the product. While you can always tweak a label over time, it needs to be done thoughtfully and be a part of the bigger picture. Whims don't work.

I've had four significant changes over the life of the brand, but they were all based off our original plan and image. We spent nearly 18 months working on our label. That's not to say you need to take that much time, but put the label and branding past some trusted peers and associates.

What percentage of your revenue is spent on promotion and brand awareness campaigns?

RM. This is a tough question to answer, only because there are so many outside businesses dedicated to the support of wine promotion (Wine Spectator, Wine and Spirit, Sip Magazine and The Wine Advocate, to name a few) that we don't have to pay for, other than the cost of submitting samples. There are also local and state organizations that support our efforts (Washington Wine Commission, Woodinville Wine Country, Walla Walla Wine Alliance).

We pay a nominal base fee for membership. They then offer additional levels of participation, such as traveling to new markets. You can always start by promoting How do you keep buyers aware of your products, and how im-

through friends and family and build from there. That said, for marijuana it will be a little different since tastings are far more regulated, and difficult to do on a large scale. I think you use your three-year plan and build off that. Make sure it is targeted and thoughtful. Remember that it needs to fit your model, not your competitor's. How do you keep buyers aware of your products, and how important are things like free samples and promotional items?

RM: I chose to make myself the brand. That helps quite a bit: When people meet me, they have an instant connec-



tion to the brand, and that is something they are willing to pay for. I work with great distributors and sales people who share an excitement for my brand and feel like they can sell my wine and me.

They help organize tastings, educational seminars and other sales promotions. I align myself with people who want to see my brands be successful. One thing I learned early on was just how many ways people say, 'No, we aren't interested in your product.'

It's one thing to follow up; it's another to not hear what someone is really telling you. You may have a delicious wine that scores well, but if people don't like your

A few different offerings from Ross Andrews Winery.



brand or packaging, they will tell you 'no.' A budtender needs to get behind the product or it will sit on the shelf and you will just annoy them with your sales calls. You need to be able to offer them something additional if they tell you they don't know how to sell the product. Are they pushing back because it is sun-grown and they feel indoor is better? Educate them on why that isn't the case (for your brand).

MV. How did you come up with your pricing strategy and market position? Did you have a specific goal regarding where Ross Andrew was positioned price-wise?

RM: When we first started, I chose to position my main wines at the premium level, but toward the more approachable end of that spectrum. My grapes were some of the most sought-after in the state (read: expensive), but I had some unique co-op situations that allowed me to keep my costs down. I wanted to produce and craft a premium product, so I treated the production of it in that way — using new French oak barrels versus adding oak chips to a stainless steel tank, for example.

Over the years, there is a component of

what the market will bear — exclusivity, limited availability and unique production methods. As the winery grew, I separated the brand into two tiers: premium and every-day drinker.

My goal with pricing was to make the very best wine I could at one end, with no exceptions or shortcuts. At the other end, I was able to use my brand recognition to keep our loyal customers enjoying our wine on a daily basis, as well as introducing new enthusiasts to what I was able to put in the bottle. Over time, my hope is that they migrate up to my more limited and boutique offerings.

Is there a big difference between how you would approach a supermarket chain and an indie wine store?

RM. Over the years, many of the supermarkets' buying decisions have shifted from the store floor to regional buyers, and there is a very specific system for trying to gain shelf space. You still need to have a relationship with the local buyer so they know how to sell your product and why they want to push it over an equal quality, but less expensive wine.

For the indie wine shops, it's all about





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building a relationship, having a solid product and educating them with trips to the vineyards, tastings, etc.

TO BE SUCCESSFUL, YOU NEED SOMETHING DIFFERENT TO OFFER

What words of advice would you give to a marijuana company trying to establish itself as a brand in a crowded marketplace?

RM: I would start by asking a few questions: Do you have a business plan? Do you really have a business plan? Is that plan on a napkin, or something your mom said sounded neat at Thanksgiving dinner? Have you shared that plan with trusted advisors, mentors and people who have different skill sets than you?

If you can answer those in the right way (yes, yes, no, yes), I would answer the next few questions: What does your company want to do? Do you have the time, team, access to capital and general capability to fulfill those plans? Are you doing something unique and different? If the answer is 'no' to these last questions, put your money back in your wallet and just buy someone else's weed.

Countless times I have heard people say, 'I love wine XX, and want to start a winery to make a wine just like that.' Why bother? It's already being done. There needs to be some form of differentiation between what you are offering and what your competitors are doing. Do you have better branding and marketing? A higher quality product? A more interesting and truly engaging story? Are you able to over-deliver on a quality-to-price ratio because of technology, experience, real estate ownership or some other critical asset? To be successful, you need something different to offer; otherwise, you will go out of business supporting your suppliers. And that doesn't sound like a very good business plan.

The image at left is an example of Ross Andrew's marketing, not as a paid advertisement.



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Delivering CLARITY

Washington's Columbia Valley has near-perfect soil and climate for cannabis cultivation

Story by GREG JAMES Photos by GARY DELP

ne of the little-known facts about Washington state is

its position as the second-leading wine producer in the United States.

California holds the top spot and has long been recognized for its outstanding vineyards. All wine aficionados, often referred to as "cork dorks," know the legendary California wineries that are widely acclaimed the world over as some of the best red wines anywhere: Caymus, Silver Oak, Screaming Eagle, Opus One, Beringer, Sloan and Harlan Estates.

Meanwhile, Washington produces some world-beating reds, but as is so often the case for number two, they aren't as well-known in wider wine circles. Brands like Quilceda Creek, Leonetti, Betz, Mark Ryan, Cayuse and Precept Brands may not yet have the name recognition of California's premiere producers, but they create wines of equal — if not superior — quality. For example, the 2003, 2005 and 2007 Quilceda Creek Cabernets were awarded 100 points by Robert Parker, of The Wine Advocate, an honor that has rarely been awarded by the world's most influential wine critic.

Why mention this? In wine circles, weather and soil are widely considered the two most important factors that affect the ultimate outcome of a wine. California, and specifically the Napa region, has a classic grape-growing environment; warm sunny days, cool evenings and rich soil composition create ideal conditions. In Washington, the same conditions exist in the Columbia

Valley AVA, where most of the state's wine grapes are grown. Coincidentally, it's the same region where Clarity Farms decided to grow cannabis with an emphasis on the same techniques and attention to detail that grape growers use to create world-class wines.

As the legal market grows and spreads its wings, a lot of the conventional wisdom in the cannabis industry will be supplanted by innovation and pioneering business models. The entrepreneurs who display a willingness to explore new methods and styles of cultivation today may well represent the future of a fascinating and quickly evolving new industry. To that end, the Clarity Farms business model stands out as a unique and exciting departure from the norm.

Marijuana Venture's interview with Jian Malihi, co-owner, head grower and strategist at Clarity Farms, was an eye-opening discussion that centered on his adherence to many of the same growing and marketing strategies that are common in the wine industry.









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Marijuana Venture:

You chose central Washington's Columbia Valley as the farm's location. Is there any particular reason you selected that geographical area?

Jian Malihi: There were a lot of reasons for choosing the site we eventually settled on. The setting is quite different from that of a traditional, clandestine, tucked-away-in-the-mountains cannabis cultivation site. This facility is smack dab in the middle of Washington's legacy ag-

ricultural land and surrounded by 100-plus acre irrigation pivots. It's extremely productive land. The area boasts deep loam soils, and a consistent and relatively predictable growing climate, which provides a solid venue for applying traditional agricultural techniques to cannabis cultivation. The aim is to create a crop program that yields consistent, high-quality, unique cannabis that represents our particular region.

MV. In the wine business, soil and climate are huge selling points. Do you see that happening



with the marijuana industry?

At this point, I think measurable connoisseurship is just starting to emerge among cannabis users. There are no master sommelier-style tests for marijuana like there are for wine. However, we are starting to see groups apply 'flavor and effect' metrics to cannabis testing. I know that Confidence Analytics is one local group venturing into this type of discipline.

The founders of that testing lab are creating a new test that people can conduct on their product, which aims to provide

customers with an accurate description of the strain's 'flavor and effect' profile. This type of focused and methodical approach to cannabis connoisseurship is certainly new to me. I predict we will see a lot more of this level of discipline used for determining the value of certain strains. There certainly is the same type of cultural passion behind cannabis that there is in the wine community, so it seems natural that the industry will evolve in a direction that creates products for aficionados.

Can you see the eventual development of appellations in the

cannabis world?

Absolutely. Cannabis strains vary greatly by their preferred growing conditions, which leads sun growers to focus on growing varieties best suited for their particular micro-climate. As knowledge is accumulated, this process will get more sophisticated and will continue to make different regions known for specific styles of marijuana.

I think we will first see socially-identified appellations, which we already informally see with common distinctions between indoor and outdoor product. A

I THINK MEASURABLE CONNOISSEURSHIP IS JUST STARTING TO EMERGE AMONG CANNABIS USERS









lot must happen before we see an American Viticulture Area (AVA) style system emerge, but we undoubtedly will.

You decided to grow in the native soil of the Columbia Basin. Can you really taste the difference that native soil has on the final product?

We have grown in countless mediums over the years, but last season was the first time we planted in straight native soil. We amended the field lightly and then dropped the starts into the ground. The soil in the basin is very rich, which has a major impact on flavor development across all crops. Inherently, the basin's native soil has more to offer the plants than anything manmade.

The result is especially evident in the rich, earthy undertones in the oil that we extract from the buds. We use pure liquid CO2, which preserves the natural terpenes

of each individual strain and provides a concentrated experience of that flower's flavor profile. The oil from this year's crop is more nuanced and complex than any other oil we've ever produced. This last crop season was out first in this particular field, but we feel confident to say that the native soil and climate contributed greatly to the flavors of our flowers and oil.

Were there any additional nutrients that Clarity used to enhance the soil? Does native soil reduce the need for additives?

We amended with mint slugs and other organic fertilizers. When planting in the ground, the key is to feed the soil and then let the soil feed the plants. You can absolutely use less fertilizer when planting in nutrient-rich soil, and native soils vary greatly depending on where they are and the soil type. This, in turn, means



COMPANY:

Clarity Farms

OWNERS:

Scott Griffin, Emery Rhodes and Jian Malihi

LOCATION:

Monroe and Othello, Washington

EMPLOYEES:

21

NUMBER OF STRAINS:

25

TOP-SELLING STRAINS:

Jougordi Kush and Black Cherry Soda

WEBSITE:

clarityfarms.net

CONTACT:

Jian Malihi: 360-805-8270

FARMING IS RISKY AND ACTION-PACKED, AND UNEXPECTED EVENTS CAN OCCUR

that to really know how to best treat it, you need to do a professional soil analysis.

What challenges did you face as sun growers this year? Do you have any advice for others considering the sun-grown route?

It would be easier to ask what challenges we didn't face. This was our first year at the Othello site, and everything was unknown except that we knew the soil was excellent, and that the Columbia Basin gets lots of sun. Just about every day presented a new challenge.

Planting in the native soil at first seemed to be a mistake, but ended up being very rewarding. Our clones had to go from a growing medium to native soil during a record heatwave, and it made for a rough start. Luckily, the plants proved to be very hardy and adaptable, and most of our worries there were unfounded.

There is a fairly steep learning curve associated with farming and growing in a style that we were not completely comfortable with. My advice for anyone deciding to grow in native soils, and utilizing traditional farming methods is to not bite off more than they can chew. Farming is risky and action-packed, and unexpected events can occur and cause devastation. Simple climatic occurrences like hail, strong winds or a heat wave can wreak havoc. Have a plan and stay focused.

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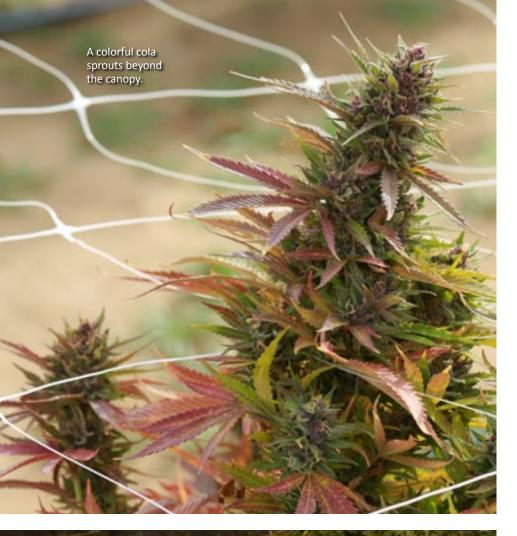
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What would you do differently if you could go back in time?

Grow more Jougordi Kush (UW Black '84 x Bubba Kush). It is connoisseur-grade and makes excellent oil.

How have retail stores reacted to the Clarity Farms product line? Are you developing new products?

M. So far, retailers have been receptive to us and report accelerating sell-through and positive consumer reviews across all our lines. Right now we're focused on improving our current product line of CO2 vaporizer cartridges and slow-cured flower. We are always working to identify and implement improvements to every aspect of our process, and to create a better user experience.

How do you see this business evolving?

The biggest thing I see is the push toward scale. It's one thing to cultivate great cannabis on a garden or hobby scale, and quite another to do it commercially on a large farm. Large producers are focused on creating high-quality product at accessible prices to the consumer, and for many it has become a challenge simply because it requires a completely different skill set than hobby growing.

Right now though, the industry is moving fast toward producing lots of really great product at affordable prices for a wide consumer audience. This is a good thing because when choice goes up and costs come down, the consumer invariably wins.

Larger-scale production is bringing with it an accelerated effort from academia to study cannabis on a scientific level. The most important projects involve cannabis genetics. Genetic research has the ability to change every aspect of the cannabis movement from production site efficiency to more effective patient treatment.

What keeps you up at night?

Nothing! I work 16-hour days, so I usually sleep like a baby. If I can't sleep, it's because I'm excited about the next day's work.



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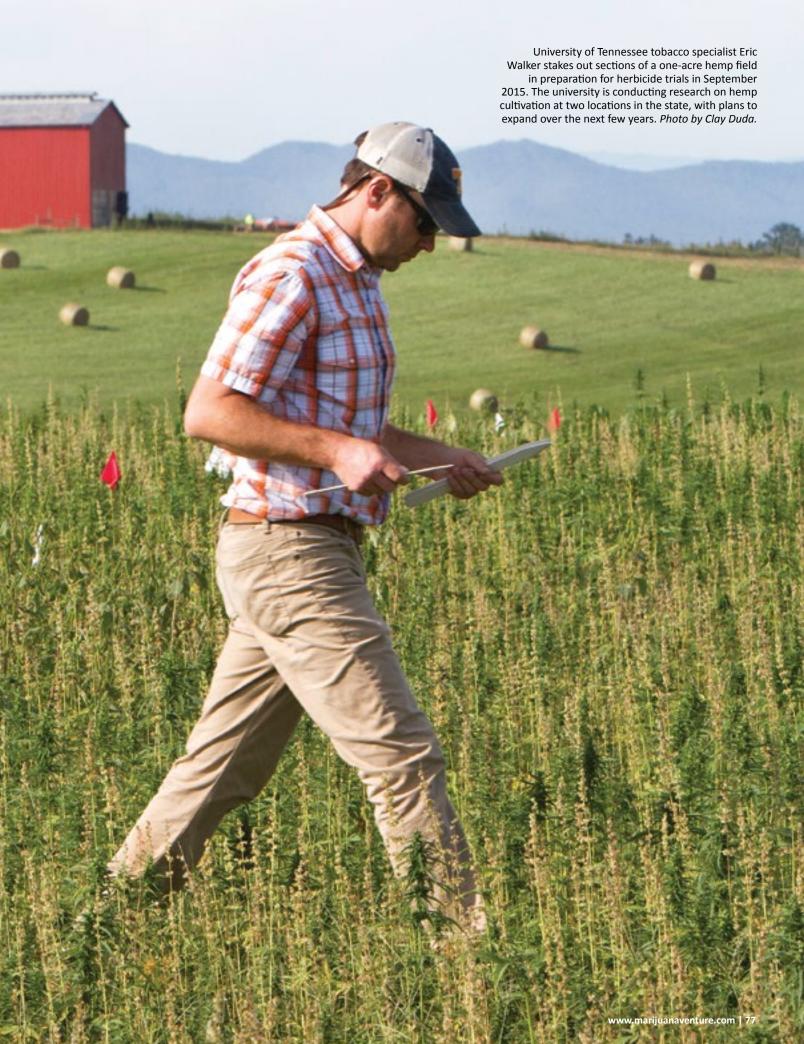
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Tennessee farmers legally produce industrial hemp for the first time in more than 70 years, battling weather and supply chain challenges — and learning a lot along the way

By KARLI PETROVIC

uch like coffee beans and tulips, some crops are simply better produced abroad. Industrial hemp is another plant that could fit this description — but not because of climate or growing conditions. Although it was once a major U.S. crop, hemp has been banned stateside thanks to the federal Controlled Substances Act and other regulations prohibiting the entire cannabis species.





University of
Tennessee tobacco
specialist Eric
Walker, at front, and
Agriculture Extension
director Rob Ellis
inspect a oneacre plot of hemp
slated for herbicide
trials in Greenville,
Tennessee. Photo by
Clay Duda.

Of the estimated 55,700 metric tons of industrial hemp grown around the world annually, China, Russia and South Korea account for 70% of the world's supply, according to the Kentucky Department of Agriculture.

In fact, the U.S. is the only industrialized nation that prohibits commercialized industrial hemp production. Hemp is used to create everything from textiles to beauty products. Although it lacks the psychoactive properties and high-THC characteristics of its cousin marijuana, the U.S. must rely on imports to meet hemp-product retail sales totaling an estimated \$300 million each year.

However, despite reticence from the federal government, this is changing.

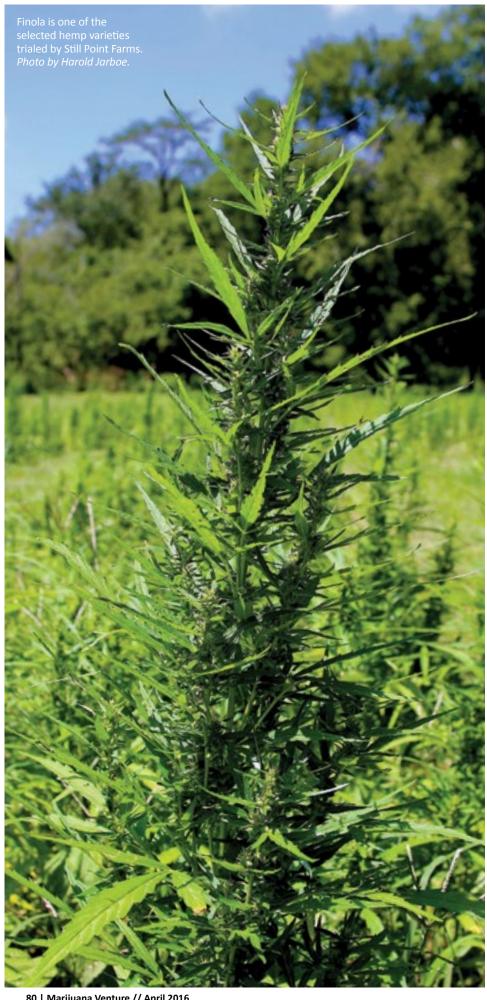
To date, 13 states — California, Colorado, Indiana, Kentucky, Maine, Montana, North Dakota, Oregon, South Carolina, Tennessee, Vermont, Virginia and West Virginia — have legal statutes to establish commercial hemp programs, according to the National Conference of State Legislators.

Tennessee is one of the most recent states to pass such a statute. The state's



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2014 Farm Bill allows for industrial hemp production as part of a research or pilot project. For the first time in more than 70 years, Tennessee farmers grew

"Forty-seven farmers applied for more than 1,500 acres in the state (in 2015); however, due to various factors, only roughly 1,000 acres were tested by the Tennessee Department of Agriculture," said Colleen Keahey, founder of Tennessee Hemp Industries Association, who explained that the seeds used were imported from Canada. Keahev said most of 2015's crop was a trial of varieties from Parkland Industrial Hemp, Hemp Genetics International and EcoFiber.

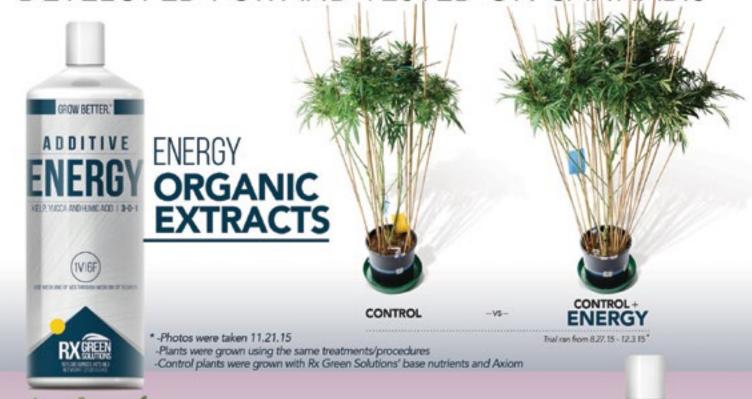
Of the varieties trialed, Keahey said the Canda variety from Parkland Industrial Hemp performed best. The goal was to experiment with different seed varieties and determine which thrived in Tennessee's climate and growing conditions. Because the U.S. had eradicated many of the hemp varieties that grew naturally throughout the country, Keahey said the crop needed to be imported and reestablished. Overall, farmers discovered that producing hemp wasn't exactly easy.

"The myth about hemp being able to grow anywhere is just that," said Harold Jarboe, chief operating officer for Still Point Farms and Cumberland River Hemp, two companies that grew 180 total acres of hemp for seed and extract.

"If you don't do your fields right, you get dinged," he said. "We went into it thinking research and development, and we still underestimated what it took to grow large-scale agricultural hemp. It's trickier than soybeans and corn — but we

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*-Photo was taken 10.3.15

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Plants were grown using the same treatments/procedures

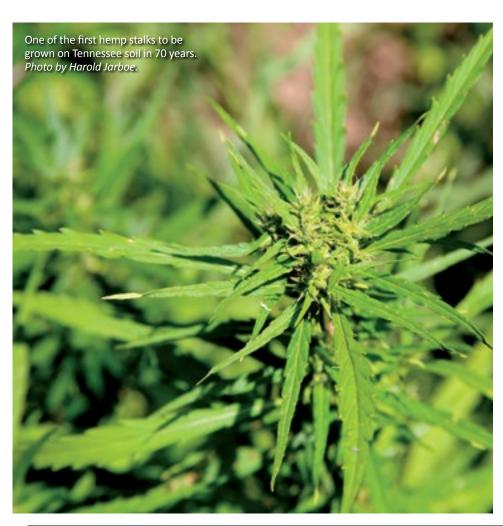
-Control plants were grown with Rx Green Solutions' base nutrients and Axiom

Commercial sizes available

Disclaimer: Trials were performed at the Rx Green Solutions testing facility in Denver, CO. For more information on trial protocols, please visit our website. Individual results may vary







learned."

In addition to the challenge of growing hemp, Tennessee farmers faced other obstacles.

"The Department of Agriculture received shipments of seed later in the season than we had hoped, although all of our licensed growers were able to plant," explained Corinne Gould, communications director for the Tennessee Department of Agriculture.

The Department of Agriculture applied to the Drug Enforcement Administration for a permit to import hemp seeds in November of 2014, but the DEA held out on issuing the permit until May 2015. This meant farmers were forced to wait until early June to start their crops, missing the ideal late April or early May planting time last year.

Aside from the governmental red tape, growers also had to contend with fickle Mother Nature.

"If you farm, you can do everything right, but if the weather doesn't cooperate, you can't grow," Jarboe said, noting that the state experienced the wettest, coldest weather in 75 to 80 years.

The extra moisture meant many farm-



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DESCRIBE THE FIRST YEAR AS HISTORIC. IT WAS INCREDIBLY DIFFICULT AND THERE WERE NO GUARANTEES.

ers, particularly those who were growing organic hemp, lost crops to weed pressure. Because there aren't currently pesticides or herbicides approved for use on hemp, farmers were on their own with respect to weed management for johnsongrass and pigweed.

Jarboe said there was a lot of money lost in Tennessee, but also a lot of information gained in the process.

Some of the knowledge includes tricks of the trade, like planting denser crops and diversifying. Logistics, such as learning how to properly harvest hemp and finding processing facilities to handle the crop, will take longer to resolve.

Jarboe described the latter as a chicken-and-egg problem: Farmers need the processing plants to manage the finished crop, but companies won't commit to building processing plants until the crop is grown well.

"It's the Wild, Wild West when it comes to hemp," Jarboe said. "There aren't a lot of facilities and factories to take the product and do something with it. It's expensive for farms to process the hemp themselves."

While the inaugural year for Tennessee hemp sounds underwhelming at best, many accept that a learning curve was inevitable.

"I think I would have to describe the first year as historic," Keahey said. "It was incredibly difficult and there were no guarantees. The first year is always a risk."

Keahey said the pilot program was successful in weeding out varieties that won't work, but it's still too early to determine whether it's worth the effort to continue growing industrial hemp in Tennessee. Although some farmers were disappointed with the results of 2015, many are dedicated to sticking with the program and helping it succeed.

"Growing hemp humbled us, and it made us dog-determined to do it better," said Jarboe, one of the farmers committed to growing hemp again this year. "Deep down, farmers like making good food for people. Seed is very important to us, and the demand for seed will continue to grow."

While Jarboe expects the third year — 2017 — will be the charm for Tennessee hemp producers, he hasn't ruled out the possibility of a banner year beginning this spring.

"Of course we're optimistic," he said, laughing. "We're farmers."



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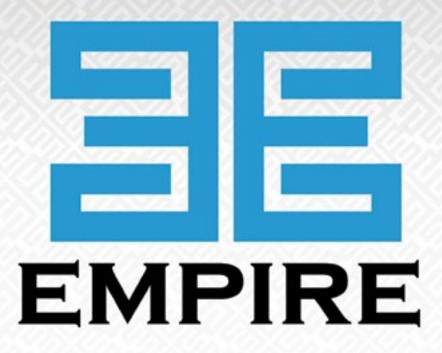
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Amid controversy, Florida program launches

First authorized nursery begins cultivation of low-THC cannabis, but lawsuits and the program's limitations create an uncertain future

By GARRETT RUDOLPH

t's not much, but it's better than nothing.

That's the general impression many people have about Florida's low-THC medical marijuana program, which could start supplying patients within a few months.

On Feb. 24, Surterra Therapeutics, one of the five nurseries licensed to grow cannabis, announced that it officially began cultivation and will have products available as soon as dispensaries open.

"Surterra Therapeutics is moving as quickly as possible to provide patients with the safest therapeutic cannabis products," Surterra president Susan Driscoll said in a recent press release. "We have plants in the ground and we are on track to open our first Surterra store in Tampa as soon as June. We are anxious to bring relief and help to the patients of Florida."

Most advocates say Florida's Compassionate Medical Cannabis Act of 2014 falls woefully short of providing the safe access needed to support patients. It was

signed into law by Governor Rick Scott in June of 2014, just a few months before voters ultimately rejected Amendment 2, a far more comprehensive medical cannabis initiative. Despite receiving 58% of the vote, the constitutional amendment needed a 60% supermajority to pass.

United for Care, the organization behind the failed 2014 amendment, has regrouped and gathered enough signatures to put another amendment on the ballot this fall. The Florida Right to Medical Marijuana initiative addresses critics' concerns about overly vague language in the 2014 amendment by specifying epilepsy, glaucoma, HIV, AIDS, ALS, PTSD, Crohn's disease, Parkinson's disease and multiple sclerosis



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as qualifying conditions.

The 2016 proposal would task the state Department of Health with registering and regulating caregivers, but it would not allow patients to cultivate their own cannabis.

However, until further reforms are enacted, only patients with chronic seizures, muscle spasms, epilepsy or cancer will be able to access state-legal medical cannabis through the current program. The existing law limits medical marijuana to 0.8% THC and requires at least 10% CBD, and featured exceedingly steep minimum qualifications for licensure. Applicants had to be in business for at least 30 years and have the ability to grow at least 400,000 plants. The license itself cost \$150,000.

Once selected for licensing, growers were required to post a \$5 million performance bond.

Twenty-eight nurseries applied. Five nurseries were awarded licenses through a merit-based application process to represent different regions: Hackney Nursery Company in Quincy (Northwest), Chestnut Hill Tree Farm in Alachua (Northeast), Costa Nursery Farms in Miami (Southeast), Alpha Foliage in Homestead (Southwest) and Knox Nursery in Winter Garden (Central).

Alpha Foliage, the parent company of Surterra Therapeutics, and its affiliated nurseries maintain more than 350 acres near the southern tip of Florida. The company has been growing tropical foliage for more than three decades, and sells about 2 million fern baskets annually, according to a Miami Herald story from 2014.

Although Surterra is pushing forward with cultivation, the program and its licensees are not without controversy.

In December 2015, 11 nurseries filed challenges to the state Department of Health's licensing decisions. Three nurseries followed through with a joint lawsuit against the Department of Health, Chestnut Hill Tree Farm, Knox Nursery and Surterra Therapeutics, claiming the applications "fail to meet even basic qualifications," according to a press release by

Hackney Nursery Company **Chestnut Hill** Tree Farm **Knox Nurserv** Costa Nursery Alpha Foliage attorney James McKee. Surterra received

its authorization to

begin cultivation on Feb. 12, one day after its Department of Health inspection. It was the first licensee to receive its inspection.

Including its cultivation centers and dispensaries, Surterra Therapeutics has plans for more than 15 locations and projects an investment of more than \$13 million.

"We truly believe that this is a revolution in patient wellness, and Florida is setting the national standard for a responsible, patient-focused program," Driscoll told the Associated Press in December of 2015. "We see a big shift in patient preferences toward all-natural treatments, and cannabis extracts are at the heart of this trend."

The company expects to create more than 50 jobs over the next several years. Dispensaries are already in the works for Tampa, Miami, Orlando, Tallahasee and Jacksonville.

Surterra will utilize an indoor cultivation facility, with an on-site extraction space "to safeguard product quality and safety," the company said. "Each of the facilities will be maintained in cleanroom conditions to help protect plants from outside toxins or pollutants and to ensure the most natural and pure therapeutic cannabis products."



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Susan Strickland, co-owner of Happy Wayz Edibles in Spokane, WA



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Conscientious Cannabis

Quincy Green takes its mission of high-end, sustainably-grown marijuana very seriously

> Story by GREG JAMES Photos courtesy QUINCY GREEN

n a democratic, capitalist society, consumer trends can grow quickly from a small movement shared by a well-informed minority to a fast-moving social tsunami that leads to significant lifestyle changes. If there's a downside to large movements in consumer behavior, it's the potential for a lot of overkill and Madison Avenue excess.

Cynics would say the organic farming movement has taken such a turn. What was once a cottage industry popularized by small dairy farmers in Vermont and health-conscious, back-tonature types on the West Coast, went mainstream a few years ago.

This gave Big Agro an opportunity to take advantage of consumer sentiment while not exactly being forthright. Log Cabin All Natural table syrup is all-natural, but it contains no maple syrup. Instead, it's made of brown rice syrup, water and sugar. Twiz-

zlers are marketed as a "low-fat" snack, but only because they're 100% sugar. The terms "local," "natural," "cruelty-free" and "authentic" are largely left to the interpretation of food manufacturers. All this has made people who really want organic, natural products wondering who they can trust and what the marketing departments mean when they use terms that invoke verdant farmland and authenticity.

Sadly, the companies often lost in the tidal wave are the small producers that sparked the movement, and those that stuck to the notion that a "free-range" chicken should be allowed to run around the family farm largely unconfined its entire life, short as that may be.

Just the FACTS

COMPANY:

Quincy Green

OWNERS:

Mark and Leslie Olson

LOCATION:

Quincy, Washington

LICENSE:

Tier 3 producer/processor

SIZE:

21,000 square feet of canopy

EMPLOYEES:

16 during critical times

STYLE:

Sun-grown greenhouse and outdoor

PRODUCTION:

75% extraction, 25% top-shelf flower

STRAINS:

31, divided into five main categories

WEBSITE:

www.quincy.green

CONTACT:

1-844-747-3360

WE AGREED
AT THE ONSET
THAT THERE
WOULD BE NO
EXPENSE SPARED
THAT MIGHT CUT
QUALITY



CONSCIENTIOUS CANNABIS

When I first read about Quincy Green, I admit I was a bit skeptical. The company's tagline of "Conscientious Cannabis" sounded interesting, but in this day and age of "healthy" low-fat ice cream, I expected a company that probably still emitted plenty of carbon, created waste and otherwise acted like most American businesses. I would soon learn I was wrong.

Mark and Leslie Olson first contemplated growing cannabis on a third-generation farm owned by Mark's family in Quincy, Washington soon after it was announced that the state would grant licenses for marijuana production. Right away they decided there would be no compromises on quality or how the product would be cultivated. When I joined Mark and Leslie to discuss their company, they both demonstrated a lot of enthusiasm for an approach they believe will differentiate Quincy Green from other producers of

commercial recreational marijuana.

"When Mark and I first talked about the opportunity, we agreed at the onset that there would be no expense spared that might cut quality, and no cutting corners on things like sustainability and natural farming techniques," Leslie explained. "To us, the undertaking was about more than making money, or even just producing really good marijuana. If we were going to do it, we agreed it would be done our way, even if it meant our costs were higher than our competitors.

"A lot of people talk about a labor of love and lowering their carbon footprint, but to us we had to put our money where our mouth was," she added.

FAMILY LEGACY

The phrases "Family Legacy," "Responsibly Grown," "Highest Quality," and "Hand Tended" are prominently displayed on Quincy Green's marketing col-



laterals. They are the core beliefs and central driving force behind the operation. So let's start with Family Legacy: Mark's family has owned the farm in the small, rural town of Quincy for more than 100 years. It sits on some of the most fertile land in the Columbia Basin, gets 300 days of sunshine a year and is a fixture in the local community.

As Leslie explains it, history and community are important to the Olsons.

"We love our community, and really wanted to have our neighbors accept this new business," she said. "So we invited everyone to come by and see what we were doing. We hired local people to work on the farm, and have bent over backwards to be friendly and respectful of our community."

It worked. Their neighbors embraced the new business, and have offered plenty of moral support in the process.

A LOT OF PEOPLE **TALK ABOUT A** LABOR OF LOVE **AND LOWERING** THEIR CARBON **FOOTPRINT, BUT** TO US WE HAD **TO PUT OUR MONEY WHERE OUR MOUTH WAS**





HIGHEST QUALITY

In the marijuana business, everyone creates the highest-quality pot. Or so they say. In the case of Quincy Green, some might say its commitment to quality has been a bit over the top. Not to Leslie.

"It might sound obsessive," she said, "but we wanted to take the whole concept of really great, boutique-quality marijuana to a new level. For example, we chose many award-winning strains, grew them from seed to establish superior phenotypes, and built a 'smart' technology greenhouse to provide a state-of-the-art grow environment."

She explained that last summer, "some of our flowers inadvertently got exposed to dust. Rather than taking a chance, we sent that flower to extraction, and sold only the perfect buds that were pristine.

If this sounds obsessive, it is. But that's how the Quincy Green farm operates."

RESPONSIBLY GROWN

Lindsay Gatz, the Quincy Green designer, echoed many of Leslie's feelings. "We thought about the whole process

IF THIS SOUNDS
OBSESSIVE, IT IS.
BUT THAT'S HOW
QUINCY GREEN
OPERATES

of creating high-quality, low-carbon footprint marijuana, and decided it was all or nothing," Lindsay said. "That even extended to our packaging choices. All our boxes are printed on recycled stock with soy-based ink, and our zip bags are made of biodegradable, low-density polyethylene, certified to be biodegradable 15% in the first year."

The attention to detail with packaging is just the tip of the iceberg. The Quincy Green facility is basically two different farms in one. Outside, there are plenty of big, green, beautiful cannabis plants. They are grown naturally and allowed to develop as nature intended, in a more or less unrefined state. While they are watered and cared for with lot of attention, the Olsons' plan called for their expansive outdoor crop to be used primarily for

the production of extracts and oils. The true heart of the Quincy Green operation — and the Olsons' pride and joy — is a state-of-the-art "smart" greenhouse that was custom-designed for them. Instead of using glass, plastic or other traditional greenhouse construction materials, the Olsons used a steel frame structure with a polyethylene weave cover that is designed to filter out harmful UV rays while also allowing just the right amount of PAR radiation to pass through. The structure is fully automated and computer-controlled. When put into practice, this means that light, heat, humidity, air circulation and several other environmental factors can be micro-tuned with the touch of a button. It also means that the farm can produce top-shelf product year-round while using a comparatively small amount of power.

HAND TENDED

As with everything else at Quincy Green, the flower receives special treatment after it's dried and cured. Every single bud that goes to market is first hand-trimmed and then carefully sorted according to size. After that, the flowers are visually inspected for any flaws. To say that Leslie is quality-conscious would be an understatement. She made it clear that the buds at Quincy Green are to marijuana what Screaming Eagle, Silver Oak and Quilceda Creek are to wine. In other words, it's an absolutely uncompromising production environment designed with the goal of providing a premium experience in every package.

CHOOSE YOUR MOOD

When the subject turned to strains and their effects, the conversation got really interesting. While it's widely accepted that different strains provide different experiences, the Olsons wanted to create a system that made consumer choices less confusing.

After some input from friends, employees and family, they settled on a simple five-color system that is prominent on all Quincy Green packages, and also acts as a general guide for all the various strains of cannabis.

The strain categories are Wild Fire







(red), Desert Mustang (orange), Mesa Tranquility (green), Basalt Zone (purple) and Canyon Slumber (blue). Each is said to produce a different range of experiences and effects.

"We love what we do, and we wanted to take some of the confusion out of the decision of what to buy at retail," Mark said. "In a sense, you could say it's not unlike the way top wineries suggest food pairings and cellar times. In our case, we simply wanted to let the consumer know that they could count on a consistent result from any of the many strains in our lines. In other words, if you like what you got from a strain in Mesa Tranquility, you can be certain that another variety in that line will give you roughly the same results.

"To us, consumer trust is our number one goal. Without it, you have nothing," she added.

CONSUMER
TRUST IS
OUR NUMBER
ONE GOAL

Wild Fire (red)

Sativa

Experience: Creativity, inspiration, uplifting

Strains include: Sour Amnesia, Dirty Girl, Laughing Buddha

Desert Mustang (orange)

Sativa inspired

Experience: Partying, conversation, laughter

Strains include: White Widow, Jack Herer, NYC Sour Diesel

Mesa Tranquility (green)

Hybrid

Experience: Melt stress, reduce anxiety

Strains include: Blue Dream, Girl Scout Cookies, Lavender

Basalt Zone (purple)

Indica inspired

Experience: "The Stoned Zone," introspection

Strains include: Mendocino Purp, Tahoe OG, MK Ultra

Canyon Slumber (blue)

Indica

Experience: Deep relaxation, blissful dreams Strains include: Bubba Kush, Big Bud, Purple Kush





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Going Solar

Emerald Pharms represents the culmination of two decades of alternative energy in Northern California

By PATRICK WAGNER

n the hills of Mendocino County, before the region became known as the Emerald Triangle, cannabis farmers helped pioneer the solar power industry through their need for off-the-grid living.

Now, decades later, alternative energy and cannabis remain intertwined in Northern California, where Emerald Pharms became the world's first solar-powered medical marijuana dispensary when it opened last year.

The 1,200-square-foot dispensary sits in the heart of John Schaeffer's Solar Living Center, a three-tiered, solar-powered complex dedicated to promoting and supplying sustainable lifestyles. The 12-acre property in Hopland houses educational exhibits, Emerald Pharms and the Real Goods eco-store, which originally opened in 1978 and sold the first photovoltaic panel to a local cannabis grower, Schaeffer says.



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THE ALCHEMIST 215





Commercial cannabis farming and the fledgling solar industry formed a symbiotic relationship.

"It's come full-circle and it's time to encourage something like that to come to the Solar Living Center," says Schaeffer, who founded Real Goods and bought it back from its parent corporation in 2014.

The Solar Living Center is "more symbolic than anything," Schaeffer says.

"It's showing that you're cutting-edge in terms of fossil fuel footprint because we're 100% powered by the sun," he says. "You're not using fossil fuel to keep people off the grid. Cannabis growers are the ones who pioneered the whole economy in the Emerald Triangle, so they're tied in symbolically with each other."

Emerald Pharms is somewhat of an homage to Real Goods' early patrons, but it serves as a proof of concept for the marriage between green energy and alternative medicine. Schaeffer sought out Martin Lee as a consultant for the project, because of Lee's ongoing work as the director of Project CBD, a California-based nonprofit dedicated to the

WE ARE 100% POWERED BY THE SUN

medical attributes of cannabis. Lee, who has also authored books charting the history of both marijuana and LSD, saw the value of the project immediately.

Lee says Schaeffer "wanted a dispensary that had a serious medical aspect to it."

Schaeffer says building a solar-powered dispensary would normally cost at least \$25,000 more than a traditionally-powered facility. But since Emerald Pharms was built as an addition to his complex, the real costs were more a matter of navigating California gray-area medical marijuana laws.

"As prohibition is going away, and now that the regulations are changing, there's a lot of needle-threading to do in terms of county and state regulations," he says. "A lot of the regulatory functions were very confusing and tricky."

The property lies on a narrow stretch of California's Highway 101, where traffic dwindles down to two lanes and drivers going both directions have a full view of the property. Today, the Solar Living Center draws almost 200,000 visitors each year, making it one of the largest

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\$497,000



tourist attractions between the Golden Gate Bridge and Oregon's Crater Lake.

The dispensary does not include an on-site grow; however, Lee says there have been talks of setting up a CBD-focused greenhouse as a public attraction.

"We just want to position ourselves in a way to reflect positively on the industry and the community," Lee says. "We look at it like it's a medicinal herb, just like the lavender in the children's garden."

Schaeffer believes Emerald Pharms will do more for the center than just add customers.

"It's a more well-rounded offering," he says. "Getting into the health and healing products and conscientiousness. Supporting all of our local growers in the

Emerald Triangle. Teaching people how solar does meld with cannabis and sort of integrating the two disciplines together."

Alongside the heirloom genetics and assortments of THC- and CBD-infused products, visitors have the option to explore the other compound attractions that Schaeffer has been building since 1994.

The center has a variety of art sculp-



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tures lining the shores of its ponds, where walkways take visitors through the various gardens and attractions. The center features a bamboo pyramid, solar calendar, hoops tipi, workshop yurt, camping area and a series of five classic hot-rods staked into place by the trees growing up through the steel frames

"Last December we put in an observation bee hive and we put in a pollinator garden for food for the bees," Schaeffer says. "We've also put in a lavender labyrinth."

The scope of the project has been expanding ever since Schaeffer came to the area in 1971. Since then, Schaeffer has opened two other Real Goods locations. He launched the first ever "Off-the-Grid Day" where U.S. residents are encouraged to shut off all power for two hours to better understand their dependency on the utility grid. Schaeffer was even invited to the White House by President Bill Clinton to help in the "Greening of the White House."

After selling that first solar panel in 1978, Schaeffer saw that his customers were actually refugee hippies from across the country who settled into the Mendocino hillsides for quiet lives as cannabis farmers.

"They were part of the early solar movement," he says. "We'd have executives from ARCO Solar coming up in business suits trying to figure out why this tiny little country store in the hills of Mendocino County was selling hundreds of thousands of solar panels, only to discover it was because the cannabis growers were the only ones who could afford the panels and they couldn't live off-grid out in the hills without the support of solar."



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Highlighting slow, steady progress in the East

New York and Puerto Rico have already taken big steps

By Lauren Rudick



Reportedly, legal sales of cannabis in the United States will reach \$6.8 billion in 2016, with that figure expected to climb to more than \$21 billion by the

end of the decade.

These numbers optimistically assume successful legalization efforts in the East, including the implementation of programs in states where full legalization is predicted (Maine, Massachusetts and Vermont), the expansion of restrictive medical programs (New York and New Jersey), and the establishment of entirely new programs (Pennsylvania, Ohio and Puerto Rico).

As positive data reflects the growth of cannabis companies and states collect impressive tax revenues, the pressure to satisfy political constituents and create safe, legal access to cannabis is mounting.

There have already been some big moves this year in the East, including progress in New York and the launch of Puerto Rico's medical cannabis program.

NEW YORK

When asked how big New York's legal cannabis program can and will be, state Sen. Diane Savino proudly proclaimed, "New York does everything big."

But "big" is not yet an adjective that can be used to describe the state's current program, with only the direst medical conditions qualifying, a maximum of five licensed cultivators, mandatory vertical integration, 20 total dispensaries, a maximum of five strains per licensee, unprecedented caps on THC levels, and the prohibition of smoking, edibles and whole plant formulas. Patients and investors in New York can only look at the long-term approach.

According to Julie Netherland of the Drug Policy Alliance, sales have begun,

yet New York patients are plagued by issues of affordability. The least expensive products are more than \$100 and monthly costs range from \$300 to \$2,000 per month out of pocket.

The Compassionate Care Act permits licensees to provide income-based discounts to patients who qualify, and several dispensaries have offered discounts to low-income patients. Nonetheless, an increasing number of would-be patients are opting out of the program, citing pricing concerns. Patient advocates and investors are working toward a legislative fix, following unsuccessful efforts to persuade Governor Andrew Cuomo to change restrictions affecting the price of medical cannabis.

Meanwhile, patients and investors in New York may be encouraged by movement within the Shinnecock Indian Nation, one of eight federally recognized tribal nations in New York. In early February, the Shinnecock Nation voted to join approximately 15 other tribal nations that are exploring the business of medical cannabis across the United States. Reportedly, the Shinnecock Nation, in consultation with the U.S. Department of Justice and the state of New York, plans to erect a 32,000-square-foot cultivation facility and dispensary in Southampton. That the Shinnecock Nation did not participate in New York's licensing program should keep startup costs down, allowing them to provide cannabis at a lower cost than New York's existing licensees. The tribe has not entered into a compact with the state, as was done in Washington, so details concerning the extent to which the Shinnecock Nation may deviate from New York's regulatory scheme remain unknown.

PUERTO RICO

Medical cannabis was effectively legalized in Puerto Rico via executive order in May 2015 — an unprecedented mechanism. The U.S. territory of Puerto

Rico is self-governing, but not completely sovereign, and faces unique challenges and opportunities to those of various tribal nations. However, in January, the Puerto Rico Health Department adopted the first regulations allowing cultivation, manufacturing and distribution, which will be governed jointly by the Health and Agriculture departments, the University of Puerto Rico and the local police.

In some ways, Puerto Rico seems to have taken a page from New York's playbook. Similar to New York, cannabis will be available in limited forms and only to those suffering from the most serious medical conditions. Chemical products, smoking and home cultivation are all prohibited.

Testing by independent laboratories and extensive security measures are required. Early reports predict low patient numbers and increasing concern that a slow start will attract "undesirable" investors, such as foreign pharmacies that are already established and in an economic position to garner favor with local government.

Nonetheless, the majority of Puerto Ricans believe that legal cannabis may be the ticket to prevent financial ruin and a public health care crisis. The U.S. territory is currently more than \$70 billion in debt. The current regulations have yet to be finalized and may be rewritten by the next governor. Gaby Pagán, activist and owner of San Juan's popular Monticello Smoke Shop, is optimistic that tight regulations will inspire educated and sustainable decision-making, resulting in organic, non-toxic medicine.

Citing Puerto Rico's proximity to the equator, 12-hour daylight cycle and available tax incentives, Pagán says "the cannabis industry looks favorable for external funding without compromising the integrity of local commerce."

Lauren Rudick represents investors and startup organizations in all aspects of business and intellectual property law, specializing in cannabis, media and technology. Her law firm, Hiller, PC, is a white-shoe boutique firm with a track record for success, handling sophisticated legal matters including business and corporate law.

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Six warning signs of inadequate consulting firms

Are they looking out for your business or their own?

By Katie Podein



Consulting firms
claiming to specialize in the management and oversight
of cannabis businesses have been rapidly
increasing in recent
years. While some

firms provide invaluable expertise for the growing industry, others appear to be mere charlatans attempting to strike it rich.

In order to help cannabis businesses navigate the potentially destructive minefield of bad consulting firms, here are six warning signs to look for:

- Opportunities that sound too good to be true: If it sounds too good to be true, it usually is. The most common and injurious claim I've found is the promise of a local or state license to operate your business. No company can guarantee you will receive a license. Because of the specific nature of the approval process, any company that makes this unqualified statement is to put it bluntly either stupid or lying. Proceed with caution if any consulting firm attempts to get your business by making fantastic and unfounded claims.
- Undisclosed conflicts of interest: In regards to licensing, many local authorities will only issue a limited number. One question a business owner should ask is whether the consultant has any other clients who are seeking licenses in your city or county. If so, you and the other client may be fighting for the same license. Ask whether the consultant has a resolution for this potential conflict. It's a glaring warning sign if the consultant is not prepared to answer these questions.
- A big price tag for an unknown outcome: You should demand to know the exact details of what consulting and advisory services the firm will provide. The consultant should draft a proposal that includes a price quote, the strategy, steps for implementation and a list of services that will be

provided at an additional cost.

Make it clear that you must give written consent before the consultant performs additional services or spends money on your behalf. Also, outline deliverables with due dates and reports if applicable to your business. This doesn't need to be included in the contract; an email exchange should suffice.

- Turn-key solutions for your business: The political atmosphere, physical location of your business, competition and phase of the business cycle should all be taken into consideration. Consultants who claim to have a turn-key solution for your business are mistaken. Good consultants know that what worked for one client may not work for every client. If the consultant is not willing to go the extra mile to provide tailored solutions for your business, then you should find one who will.
- You never hear the bad news: No one wants to hear bad news, and being the one to divulge it can be even worse. However, a consultant's advice must be based on reality, which includes addressing all the pitfalls of operating in the cannabis industry. If you're only hearing positive news, then it's time to find a consultant who will tell you the whole truth both good and bad.
- Poor communication skills: The client-consultant relationship can have a direct impact on the success of your business. A smart consultant understands this and knows how to foster this relationship. In the initial meeting, consultants should freely share their background, qualifications and skills, as well as those details about their staff members. Additionally, there should be an open line of communication to ensure your concerns are addressed and goals are met.

Katie Podein is an attorney with California Cannabis Law Group (www. califcannlaw.com). She assists clients in navigating California's rapidly evolving cannabis market. She can be reached by email at info@califcannlaw.com.



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P.O.V. is a monthly section in Marijuana Venture showing images of operational cannabis businesses throughout the U.S. and Canada. To submit photos for consideration in future issues email: Editor@marijuanaventure.com.



Ben Wu, president of Kush Bottles, speaks with Aaron Smith (right) of the National Cannabis Industry Association at the Cannabis Collaborative Conference. *Photo by Ryan Selewicz.*



Innovation Agency president Randall Huft (left) speaks to cannabis industry professionals about branding in a regulated industry. *Photo by Ryan Selewicz.*





John Petty of Weed TraQR answers questions from CannaCon attendee. *Photo by Chloé Mehring*.

Marijuana Venture staff members Garrett Rudolph (left) and Patrick Wagner (right) pose for a photo with Karin Roscoe of Clean Green Certified at CannaCon.



Five businesswomen participate in a seminar about the state of the industry during CannaCon. Pictured, from left to right: Crystal Oliver of Washington's Finest Cannabis, Shawn DeNae of Washington Bud Company, Sharon Whitson of Seattle Hempfest, Danielle Rosellison of Trail Blazin' Productions and Kristine Morgan of Marijuana Business Association. *Photo by Kayla Kliphardt*.



Record attendance at CannaCon 2016. Photo by Chloé Mehring.



Kip Vernaglia, of Elem-n-tal Digital, speaks with a potential customer at CannaCon. *Photo by Chloé Mehring.*



Legendary attorney/activist Don Wirtshafter leads a tour of fascinating hemp memorabilia for a group of CannaCon attendees. *Photo by Garrett Rudolph.*



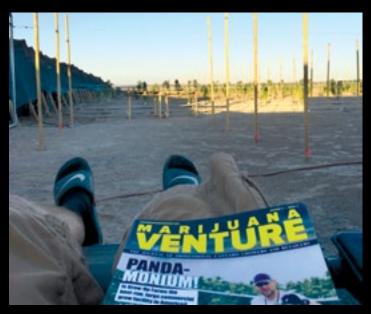
Jessica Jordan, owner of Mari J's Highway Pot Shop. Photo by Kayla Kliphardt.



Plant Sciences USA reps discuss the advantages of LED lights with a potential customer. Photo by Chloé Mehring.



Jay Griffin of the Denver Consulting Group talks with a prospective client at his booth during the Cannabis Collaborative Conference. *Photo by Ryan Selewicz.*



Break time on the farm: A worker at Clarity Farms kicks back with a copy of the best trade magazine in the marijuana business during the summer of 2015. *Photo courtesy Clarity Farms.*



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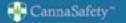
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The Laws of CROP PROTECTION

Everything growers need to know about regulations on products that combat powdery mildew, spider mites and other common pests and diseases

By KARLI PETROVIC

hen battling the pests and diseases that damage and destroy cannabis crops, it's important to be prepared. Of course, this is easier said than done. While growers who produce ornamental plants can often select any number of chemicals off the shelf at the local garden center, marijuana growers must be much more selective.

LEGALITIES AND LABELING LAWS

Although unlikely to be a major storyline in a primetime crime drama, it

is illegal to use certain pesticides on marijuana plants. In fact, Colorado Department of Agriculture spokeswoman

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PESTICIDE-RELATED RECALLS THREATEN MORE THAN CREDIBILITY

Business owners must understand product liability

By AMMON J. FORD

magine receiving a call from one of your main suppliers, telling you something went wrong with their last shipment. They say there's a relatively small chance those products could cause serious injury to somebody. How do you proceed?

What is product liability?

For several months now, marijuana businesses in Colorado and Washington have been dealing with product recalls due to contamination from banned pesticides. Although there haven't been any reported deaths associated with tainted cannabis products, it's critical that businesses take every precaution possible.

Managing risk is tricky in any field, but in the hyper-regulated cannabis industry, it can be everything. Product recalls are costly. Announcements must be sent out warning consumers and regulators. On a tight production schedule, businesses might struggle to fulfill demand and shipments will be delayed.

Managers must consider the best interests of their company, their investors and their communities, but nobody wants to live with the possibility of accidentally hurting or killing one of their customers.

Poorly handling a product liability issue can lead to unhappy investors and losing the trust of customers. A dangerous product is a legal and ethical problem,

Christi Lightcap says very few pesticides are approved for use on this crop.

"The label — the directions for use — that comes with each pesticide is a legal document, and any use inconsistent with the label directions is a violation of both Colorado law and federal law," she explains. Lightcap notes that marijuana is not listed as a use on any pesticide labels, a situation that may remain unchanged for some time.

The U.S. Environmental Protection Agency is "unlikely to allow marijuana on a label until the federal status of marijuana as a Schedule I drug is changed," she says. "This means that only products with very broad language on the label can be used on marijuana."

A phrase like "for use on any crop" is one example of broad label language. Of the hundreds of thousands of pesticide products available on the market, the Colorado Department of Agriculture has identified a mere 250 that can be used on marijuana. The department hopes to have determined and implemented rules classifying the standards for pesticide use on cannabis by spring of 2016.

While Lightcap says these rules might further restrict the chemicals that can be used, there's a possibility that certain EPA-registered pesticides may be registered for "special local needs

cial local needs (SLN)."

"We have been working closely with EPA to figure out how SLN registrations can be approved by Colorado with label directions specific

for use on marijuana and hemp," says Lightcap.

"In some cases, research studies may be needed of the pesticide residues left on marijuana before we can complete a human health risk assessment and make an SLN decision."

Although Colorado has led the charge on determining what crop protection products are appropriate for marijuana plants, Washington and Oregon are following suit. Vot-

ers legalized medical marijuana in Washington in 1998. However, it wasn't until recreational marijuana was legalized in 2012 that people started questioning what pesticides were being used on the crops, says Erik W. Johansen, the Washington State Department of Agriculture's pesticide expert.

"At that point, we started working with the EPA and the Colorado Department of Agriculture to try and figure out what types of products were allowed for use on marijuana," Johansen explains, noting that the criteria was finalized in 2013. "Our first list contained 150 pesticides. Now we're up to a little more than 300 pesticides in late 2015. We've reviewed more labels and are working with the EPA and CDA on a process for allowing additional pesticides on the list."

While more than 300 options may seem adequate, Johansen says the pesticides contain only 70 to 80 active ingredients, meaning there are a lot of different brand names for essentially the same product. For example, there are about 20 products containing indole-3-butyric acid (IBA).

Of the allowed products, pesticides usually fall into one of two categories: biopesticides (which are derived from natural sources such as microbes, bacteria or plant extracts)

and organic pesticides.

Synthetic pesticides are not an option, because marijuana is smoked or consumed, thereby classifying it as a food crop.

This is good for

consumers, but synthetic pesticide formulas tend to be more effective against tough-to-tackle pests and diseases.

"What we've heard from growers over the past two years is that the products for spider mites and powdery mildew are not necessarily what they need," Johansen says. "That's why we are getting guidance on a mechanism for getting additional products to growers."



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Product liability law applies broadly to all consumer goods, and is very strict about making companies pay when someone is injured. Courts and lawmakers have written strict product liability laws in order to protect the public and encourage consumers' trust in private business.

Most states recognize at least three types of product defects:

- A manufacturer's defect, where a manufacturing error causes the product line to malfunction, such as E. Coli in ice cream:
- A design defect, where the product, as designed, is unreasonably dangerous, like lawn darts and heroin:
- Failure to give proper instructions or warnings about known dangers. This is why pharmaceutical commercials include warnings that users "may experience suicidal tendencies" and "should not operate heavy machinery."

If the consumer can prove that a defect caused their injury, then product liability

CONSUMER TRENDS

As the states continue to crack down on what pesticides can be used on marijuana plants, crop protection manufacturers who want to compete in the marketplace must create products that account for the tighter restrictions.

"I think everyone, even those in the horticultural world, has a standard they are trying to achieve," says Jeff Kline, product manager for BioSafe Systems. "A lot of it is driven by the consumer being more aware of what's being put on their food and flowers. The same thing goes for the cannabis industry."

Susan E. Lewis, founder and president of Pharm Solutions, notes a similar trend.

"Consumers are more aware these days of organic and pesticide-free products and seek them out," she says. "We believe this is the future for cannabis growers as well. Given the choice, the consumer will choose organic over products sprayed with synthetic chemicals."

One person who can attest to this

is John Sladek. A cannabis grower for more than 40 years, Sladek originally learned to grow medicinal marijuana on the fly when his wife was diagnosed with cancer in the 1970s. After her death, Sladek continued growing marijuana using organic products for others in need.

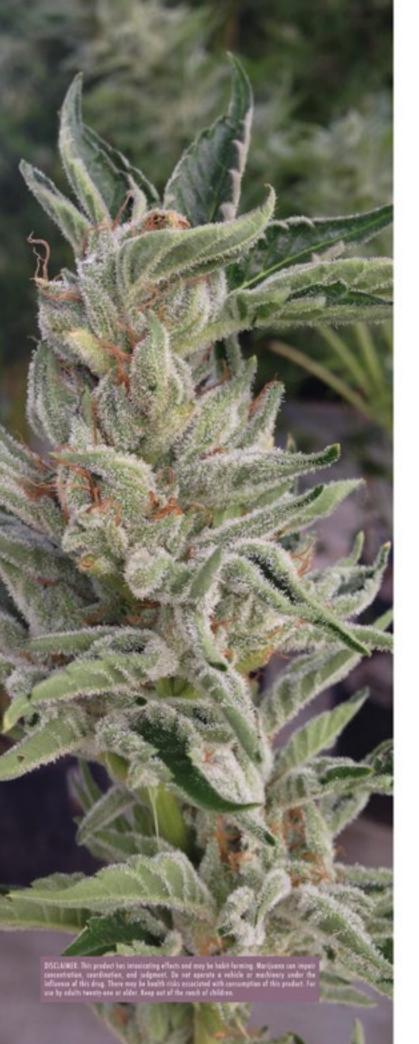
While growers currently have a variety of pesticide options, changing regulations are sure to impact the number of products on the market. The onus is on individual states to ensure product safety. Kline sees that as a positive.

"The states have done a good job of paying attention, learning and changing what's going on the crops to make sure people aren't negatively impacted," he says. "It will be interesting to see how things go forward from a regulatory perspective."

THE LEARNING CURVE

As pesticide regulations continue to be in flux, each state is recognizing that education and outreach will be essential to ensure safe application of







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Managing liability

There is no way to entirely eliminate your product liability risk; it can only be managed. As with much of your business, the first step is to develop deliberate policies and practices. Businesses should stay up to date on regulations and implement industry-specific best practices. Avoiding a product defect is always the best option, but when one occurs, it's important to have a documented history of robust due diligence.

Following state law may keep regulators at bay, but it will not be enough to shield companies from lawsuits. In 1993, Jack in the Box famously paid millions of dollars in settlements after poisoning 182 people with undercooked hamburgers. The company cooked the burgers exactly to the federal Food and Drug Administration standard of 140 degrees, but failed to satisfy the Washington state standard of 155 degrees. The mistake damned Jack in the Box's defense; however, even if such clear evidence did not exist, a jury would most likely have determined that the company should be held liable for the four accidental deaths. Juries are often very sympathetic to innocent, injured consumers, and a jury verdict that a company poisoned its customers is never good for business (or an individual's conscience).

Conflicting regulations are ubiquitous in the marijuana industry. Under federal law, the cannabis plant itself has no accepted medical use and inherently poses a "high potential for abuse." That legal classification alone could be enough persuade a court that cannabis products are "unreasonably dangerous" by nature, and therefore defective.

Courts have not yet faced a cannabis product liability case. When they do, the cannabis business will most likely need to defend itself against claims that their products are unreasonably dangerous. Companies must know what laws and regulations apply and follow them, but it's important to consider going above and beyond the legal safety requirements when possible. Liability does not stop after a clean inspection.

legal products. Johansen, for example, is traveling across Washington to meet with marijuana growers, the Washington Marijuana Business Alliance and private consultants to talk about proper pesticide use.

He says everybody involved recognizes the need for disseminating accurate information.

"That's why we're providing outreach to the industry and telling them what they can use and, more importantly, what they can't," he says. "We also want to talk to them about what they can do to get more products added to the list."

In Colorado, Lightcap says the state Department of Agriculture is providing growers with seminars and assistance related to pesticide use. Although the regulations can be a hassle, safety needs to be a top concern, she says.

"I know that, as with any agricultural grower, they are selecting products based on effectiveness on the pest of concern, safety to the crop, cost and ease of use. However, they should also read the label fully and carefully prior to purchasing the product, to make sure they can legally use it in the way they intend," Lightcap says.

"The cannabis industry has an ethical and legal obligation to only use products that are legal to use and currently meet the CDA's criteria for use."

THE BLACK LIST

With increased scrutiny on pesticides being used on cannabis, particularly for medical patients, the Washington State Department of Health recently issued a list of black-listed pesticides. Although each state has its own guidelines about which pesticides can and cannot be used on cannabis, most follow a similar protocol. Below is a short summary of the pesticides that are banned for use on medical marijuana, along with some of the products where they are known to be found.

Abamectin

Found in: Abba, Abathor, Affirm, Agri-Mek, Avid, Dynamec, Epi-Mek, Genesis Horse Wormer, Reaper, Vertimec, Zephyr, Agriflex, Avicta Abamectin or avermectin is an insecticide, nematicide and acaricide widely used in agriculture to combat mites. The chemical is extremely toxic to aquatic life and recognized as a reproductive and developmental toxin.

Bifenthrin

Found in: Brigade, Transport, Talstar Nursery, Scotts, Aloft, Capture, Brigade, Bifenture, Ortho Home Defense Max, Athena, Torant, Mustang, Zipak A pyrethroid class of chemicals used to fight fire ants, cultivators use bifenthrin to battle gnats, mites, thrips, aphids and other insects. Due to its toxicity, bifenthrin is known as a groundwater pollutant. The chemical is also known to be a reproductive and developmental toxin.

Chlormequat chloride

Found in: PGR, Cycocel, Citadel, NuFarm, Aceto
Often referred to as chloride salt, chlormequat chloride is used to control cell
elongation in plants. Known for its acute toxicity, chlormequat chloride is not
approved to use on crops intended for human or animal consumption.

Daminozide

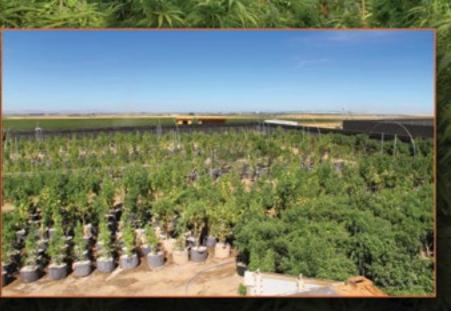
Found in: Alar, B-Nine, DMASA, SADH, B 995, Kylar, Sad, Dazide Extremely cancerous and illegal to use on U.S. food crops, daminozide is a plant growth regulator once used by Washington farmers to keep apples from falling off of trees before harvest.

DDVP (dichlorvos)

Found in: Abco, Benfos, No-Pest, Apavap, Cekusan, Verdisol, Fly-Fighter Commonly abbreviated as DDVP, dichlorvos is an organophosphate that has been widely used as an insecticide since 1961. Due to its effects on humans, it has been restricted from most domestic uses and applications.

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What is the PR problem?

After a product defect becomes known, actions speak louder than words. The steps taken to protect the brand — and more importantly, its consumers — will depend entirely on the scope, type, severity and geographic breadth of the defect. Companies need to act quickly to protect customers from known dangers, and reassure them that the company can be trusted. If consumers doubt the safety or ethics of a particular company, they may never buy that brand again.

The cannabis businesses in Colorado and Washington that have issued product recalls have exposed their reputations and their wallets. Consumers, media and government agencies will all watch them closely.

What is less obvious is that the entire industry is exposed, as well. The year 2016 is projected to be a historical turning point in cannabis legalization. As laws change throughout the world, people are forming new opinions about cannabis. Some of those consumers will judge the entire industry based on the actions of just a few.

The legalization movement has momentum because it's winning the battle of public opinion.

That industry branding took decades to create and could take just as long to repair if a pattern of preventable injuries emerges. New laws are fragile, and any scandal could slow down years of progress.

To protect themselves, their customers and the future of the cannabis industry, cannabis businesses should help create and self-enforce robust safety standards that address all foreseeable harms. Detailed warnings and ethical decision-making will go a long way to protecting brands and the industry.

Ammon Ford is a law clerk at Gleam Law, a full-service cannabis business law firm in Seattle. He is the founder and chairman of the Cannabis Law Society at Seattle University. He is currently earning his JD and his MBA simultaneously at Seattle University.

Imidacloprid

Found in: Bayer, Winfield, Amtide, NuFarm, Cleary Chemicals, Cheminova, Gaucho, Marathon, Merit, Neonic

A systemic insecticide that acts as an insect neurotoxin, imidacloprid belongs to the neonicotinoids class of chemicals which impacts the central nervous system of insects.

Myclobutanil

Found in: Eagle 20, Chemsico, Ferti-Lome, Dynasty Extreme, Albaugh, Disarm, Nova 40w, Nu-flow, Nufarm, Rally, Spectracide, Agristar

Myclobutanil has been at the center of media attention for its use on cannabis crops. The chemical is suspected of having endocrine disruptors and has developmental or reproductive toxins.

Paclobutrazol

Found in: Piccolo, Bonzi, Muskateer, Clipper 20, Andersons Golf, Cambistat, Trimmit, Tide Paczol, Sepro

A plant growth retardant and fungicide, paclobutrazol limits stem growth and increases root development. When applied to soil, the chemical stimulates plants to early fruition and protects from frost damage.

Permethrin

Found in: Ambush, Dragnet, X-lance, Phaeton, Zoecon, Qamlin, Torpedo, Eksmin Permethrin is a neurotoxin widely used in insecticides and repellents. The chemical is a known carcinogen and is considered to be extremely toxic to fish and cats.

Piperonyl butoxide

Found in: Zoecon, Absorbine, Zeta-cyp, Adams, Whitmire, Anvil, Yates, Diversey, Prozap, Sentry

Piperonyl butoxide (PBO) is an organic compound used as a component of pesticide formulations. It is known to have a moderate acute toxicity risk, possible carcinogens and potential ground water contaminants.

Propiconazole

Found in: Nufarm, Banner, Mantis, Novel, Fathom, Judo, Spectator, Orbit, Restore, PPZ

A fungicide also known as DMI, propiconazole uses enzymes to stop cellular growth. It is cited for developmental and reproductive toxins, potential ground water contamination, endocrine disruptors, possible carcinogens and for its acute toxicity.

Pyrethrins

Found in: Safeguard 707-B, Buhach, Zoecon, Ofirmotox, Zone Fog, Zurd Pyrethrins are a class of organic compounds that target the nervous systems of insects. The chemical is naturally found in chrysanthemum flowers and synthetically recreated by industrial methods. The chemical is listed to be a PAN bad actor for its carcinogens and inhalation causes chronic toxicity.

Spinosad

Found in: Conserve, Bonide, Entrust, Bulls-Eye, Bug-N-Sluggo, Elector, Natular, Tracer, Blackhawk

Spinosad is an insecticide that is relatively benign to the environment, people and animals. The chemical is toxic to honey bees and butterflies.

Spiromesifen

Found in: Oberon, Judo, Forbid

An insecticide developed by Bayer, spiromesifen was designed to combat whiteflies and mites. Spiromesifen is toxic to fish and non-target insects. The chemical is known to have a low risk of acute toxicity from inhalation and through skin contact.

Uniconazole

Found in: Concise, Fine Agrochemicals, Prunit, Sumagic, Valent An fungicide on the EPA's carcinogen watch list, uniconazole possesses growth regulator properties and has a slight acute toxicity risk. Uniconazole is also a possible carcinogen and potential ground water contaminant.

Sources: Washington State Department of Health, Pesticide Action Network, Confidence Analytics.

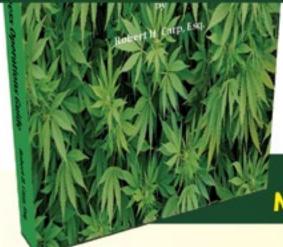
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Property Losses: What can happen?

Fire and theft pose the most significant threats

By BRENDA WELLS

hen analyzing loss exposures, there are two things you have to consider: frequency and severity. Frequency is how often something might occur, and severity is how serious and costly it might be if it does happen. It is important to never underestimate either of these dimensions, but in my experience, people have a propensity to seriously underestimate severity of loss.

Consider the Titanic. No one dreamed that the ship could sink, but it did just that. The designers were so sure this ship was unsinkable that they didn't put enough lifeboats on it for all the passengers.

Another example is the World Trade Center. Those buildings were considered indestructible, able to withstand earthquakes and, yes, even plane crashes. The businessman who invested in those buildings was so confident nothing bad would happen that he didn't have enough insurance to cover the total destruction of both buildings.

Finally, think back to the devastation of Hurricane Katrina. Who would have guessed that more than 1,800 people would be killed by a hurricane? Or that the city of New Orleans would be inaccessible for weeks? Very few people prepared for it appropriately.

My point is that losses can happen, and they can be a lot worse than what you predict they will be. Optimism is a wonderful quality to have, but not when it comes to ignoring the potential for loss of your valuable property — specifically your crops, inventory and cash proceeds.



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Put a stop to **DIVERSION**

The vast majority of theft in the cannabis industry is internal

By SARA DEMIANYCZ

Diversion is an issue that plagues all businesses, but in the cannabis industry, it can lead to more than just loss of profits. In many states, cannabis business operators face serious consequences for diversion, such as license revocation or even criminal liability. However, security guards and alarm systems may not be enough protection as a shocking 90% of diversion in the cannabis industry comes from employees. Comparatively, non-cannabis retail industries typically report that approximately 43% of diversion is from internal sources.

There are many ways employees divert cash or product from a cannabis business, including theft, sales manipulation and robbery assistance. Theft occurs in a variety of types, from trimmers who report lower harvests and keep dried flower for themselves, to employees who simply grab cash from an open vault and leave the premises. Sales manipulation happens primarily in dispensaries and occurs when employees provide excessive discounts to friends or themselves, apply coupon codes to sales that do not qualify, or otherwise manipulate the point-of-sale system to the detriment of the business. Unfortunately, there have also been reported instances of dispensary employees providing internal security protocols and information to assist in robberies of cannabis businesses.

Strict inventory procedures, state-of-the-art surveillance systems and trained security officers certainly help prevent diversion, but business owners must also implement strong business practices in order to combat theft by employees. It is imperative that each retailer, processor and cultivation facility develop a corporate culture with clearly defined expectations and guidelines for employees. This will help ensure that personal responsibility for compliance and inventory control resonates throughout the business.

High rates of diversion often correlate with high employee turnover. Providing staff with benefits, adequate

CROPS AND INVENTORY

You know better than anyone how valuable your cannabis crop and inventory are. Fire and theft are the two most likely causes of loss. Have you taken steps to prevent them? If not, don't wait any longer. You need to assume worst-case scenarios and do what you can to minimize the risk of loss.

Indoor cultivation systems with extremely powerful grow lights present a serious fire hazard. There are several steps toward having the best protection against fire damage. First, have a monitored fire detection system. This guarantees a timely reaction from first responders in the event of a fire. Also, consider installing a sprinkler system in the building if you don't already have one. It's a big expense, but so is losing an entire crop of cannabis.

Another step you should take is to have a professional electrician evaluate your wiring and grow set-up to make sure it's safe from overload.

Surveillance camera systems are relatively cheap these days and can go a long way toward preventing theft.

One more thought on theft: Do you know who is most likely to steal from you? Your employees. Make sure you know and trust the people who work for you.

CASH

I can't stress enough that you need to be careful when it comes to handling cash. People can and will rob you if they know you have cash on hand. I have heard it said by industry experts that everyone in the cash-based cannabis business has been or will be robbed. It doesn't matter how safe or crime-free your town is. Sooner or later you will be a target. (Yes, you!)

When I worked at a drug store in high school, the store manager would take the day's cash proceeds out in a bank bag at the close of business. He would drive them to the bank and put the cash in the night depository. How he kept from getting robbed is a mystery to me, because thieves watch for those kinds of patterns and behaviors. They study their targets, and they find a weakness in the routine that presents the opportunity to steal.



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discounts and opportunities for career advancement will reduce employee turnover and ultimately reduce theft. Employees who are able to view their position as a career, rather than a short-term job, will be

more invested in ensuring the success of the company and less willing to risk being terminated and losing their benefits. For this reason, business operators should consider employing the services of a reputable human resource provider with experience in the cannabis industry. Not only will they make sure you remain compliant with state and federal labor laws, but they can provide guidance in reducing turnover and improving employee satisfaction. Many human resource providers will also assist in the creation of an employee handbook to help set expecta-

accountability and personal responsibility.

While physical security measures provide a first layer of protection against diversion, detailed behavioral protocols and procedures for security greatly reduce opportunities for internal diversion. Inventory and cash should be counted by at least two employees at each shift change with any discrepancies investigated immediately. A schedule and procedure for counting inventory must be established and strictly followed.

tions and guidelines for staff members, which increases

My best advice is to use an armored car service to handle your money, which will minimize the risk of robbery in transit. But, until the banking industry gets a bit friendlier to the

INVENTORY AND CASH

SHOULD BE COUNTED

BY AT LEAST TWO

EMPLOYEES

cannabis industry, you're

still going to have to store cash somewhere, and that presents a risk. Follow as many of these tips as you

more likely you are to have it stolen.

- · Do not accumulate large amounts of cash at one time. The more you have, the
- Do not accumulate large amounts of cash in one place. If you are storing cash, try to divide it into several smaller amounts placed in different locations.
- Do not give employees access to cash any more than you absolutely have to. Remember, they are the most likely people to steal from you.
- Get a good, heavy safe for storing cash and protect the combination religiously.
- Try not to be alone with large sums of cash. Robbers don't like witnesses and will usually avoid a large group of
- Criminals hate light so stay in well-lit, visible areas whenever possible.



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Discovering the source of inventory discrepancies is much easier when a specific time frame is known and information is still fresh. Additionally, requiring a manager or other secondary employee to approve all coupons and discounts at the point of sale can limit opportunities for sales manipulation. This can be time consuming, but reducing diversion is well worth the extra energy. This step also allows managers to make certain all employees are appropriately trained on the point-of-sale system, and that they are ringing up sales correctly.

In order to ensure the success of your cannabis business, remaining in compliance while minimizing opportunities for diversion is essential. So refine your business practices, set clear roles and expectations for employees and provide benefits packages. Happy employees are more invested in the success of the company, and therefore far less inclined to steal. The cost incurred from offering benefits packages and more extensive training will quickly be outweighed by reducing diversion.

Sara Demianycz is the client resource manager with Canna Advisors, a nationwide cannabis consulting firm based in Boulder, Colorado. She has a degree in biological sciences with a focus in neurobiology from Colorado State University and has worked in both medical and recreational dispensaries. She can be reached at sara@thinkcanna.com.

DO NOT LEAVE YOUR BUSINESS AT THE SAME TIME EACH DAY

- If you are transporting cash, make sure you vary your routine. Do not leave your business at the same time each day. Take a different route each time. Again, an armored car service is preferable.
- Be aware of your surroundings at all times. Pay attention when driving to make sure you aren't being followed. If you think you are being followed, whip into a parking lot, turn around and go back out in the opposite direction. If you are being followed, this will usually put a stop to it.

Brenda Wells is the Robert F. Bird Distinguished Scholar of Risk and Insurance at East Carolina University. During her career she has taught insurance courses that include commercial liability, commercial property and insurer operations. She has published articles on the risk management implications of cannabis legalization and is a sought-after expert in the risk management and insurance field. She can be contacted at brenda@riskedstrategies.com with questions or suggestions for future articles.

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The Developing Role of the PHARMACIST



Dispensaries can mitigate the risk of being sued by operating less as careless cannabis retailers and more like savvy medical providers

By KAREN CANTON and MARTINA JACCARINO

person, from budtender to licensed medical professional, is just beginning.

Those who are willing to be at the cutting edge of the medical cannabis industry need to know how to reduce the chance of their business being involved in an expensive tort lawsuit.

he evolving role of the medical marijuana sales-

Within the American legal system, the standard of care is defined by juries after negative outcomes wind their way through the courts. Some of us do not think cannabis can cause a negative outcome, but when it comes to medicine and

the law, a "negative outcome" can be any effect that does not fall within the narrow confines of the patient's desired outcome. That means any effect can potentially be considered a negative outcome in a court of law. Dispensary owners and their em-

ployees must think defensively.

Documentation is always the best way to protect oneself in a lawsuit. Waivers, consents, disclosures and questionnaires must be part of every sale of medicine, including medical marijuana. However, education and meaningful communication with patients will benefit businesses in many different ways. Informed patients will have better results, more realistic expectations and take ownership of the outcome. These patients will be less likely to sue, and they will return to your dispensary in order to maintain that relationship. Additionally, steps taken toward prevention will come into evidence if a lawsuit does arise.





The Connecticut way

n the same year that Washington and Colorado legalized cannabis for all adults, the state of Connecticut quietly ushered in a new set of standards for medical marijuana. Governor Dannel Malloy signed legislation to allow medical marijuana in 2012, but instead of following the lax rules established by states west of the Mississippi River, Connecticut became the first state to require a board-certified, on-site pharmacist to dispense all cannabis products.

Nick Tamborrino was one of several pharmacists who saw the business opportunity behind the rule. He founded Bluepoint Wellness in Branford in 2013.

"I think having the pharmacist involved legitimizes this in a way," Tamborrino said in an interview with Pharmacy Today.

New York and Minnesota, which have some of the most restrictive medical marijuana laws in the nation, have followed suit with mandatory, on-site pharmacists.

— Garrett Rudolph

EVERY BENEFIT TO ONE PATIENT CAN BE DEFINED AS A RISK TO ANOTHER

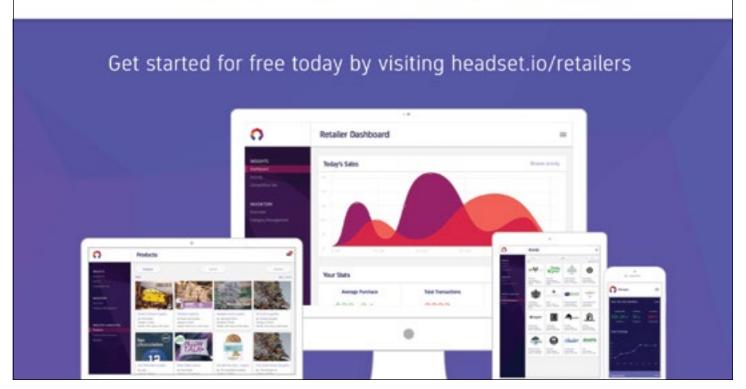
Here are some things dispensary owners and their staff can do to minimize the risk of lawsuits:

- Keep yourself and your employees up to date on state and local laws and regulations. This is an absolute must.
- Know all the procedures and protocols in place to ensure compliance with the law. Your attorney should prepare a manual for you and your employees, but it is up to owners and management to create an environment where staff members actually read the manual.
- Demand that your employees keep themselves up to date on the benefits and risks of medical marijuana. Every benefit to one patient can be defined as a risk to



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SCIENTIFIC STUDIES OF THE RISKS OF MARIJUANA FAR OUTWEIGH STUDIES OF THE BENEFITS

another. Furthermore, scientific studies of the risks of marijuana far outweigh studies of the benefits. Serious business owners will not permit employees to keep their heads in the sand.

• Develop — or have your attorney develop — a social and medical use questionnaire for your providers to complete and update with every patient. Your attorney can help you develop a scale of risks. Any patient with too many risks should be referred to a specific staff member, preferably a registered nurse or physi-

cian, for assistance in selecting products. Counsel patients about drug interactions and train employees about the best way to ensure patients listen to and understand the information.

- Screen patients with a history of psychological illness. There is mounting evidence that medical marijuana is not worth the increased risk of psychosis for these patients. At the very least, require a referral from their mental health professional.
- Have the proper waivers in place to push liability to the doctor because it is very difficult to pass liability off to the patient. Garden variety patients who suffer from chronic pain, but are in otherwise good health, can be treated by a lay person with basic knowledge of cannabis. But any patient taking multiple medications needs to be informed about drug interactions, and must sign additional waivers. (It is not realistic to rely on the fact that doctors have liability for medical issues. Doctors have been developing defensive practices for the courtroom for more than 40 years, and they will be using their own waivers and other documentation.)

• Get access to Med-Scape or another high-quality information source for scientific, peer-reviewed, up-to-date literature to address any patient questions. This information will be admissible in court, and it is probably the only type of answer your employees should give in response to questions about risks. Unfortunately, every business has to deal with people looking to pursue a fraudulent claim.

Karen Canton has been in the insurance and bonds business for more than 35 years. She is a published author and hosts a radio show called Grass Roots Marketing. She can be reached at www. mmjbonds.com.

Martina Jaccarino is a trial attorney who has been practicing in Nevada since 1995. She has completed more than a dozen jury trials ranging from multi-million dollar brain injury cases to professional negligence cases and insurance contract disputes. She has recently been heavily involved in Nevada's medical marijuana program. She also holds a license to practice law in Oregon and North Carolina. Her website is www.mjlawvegas.com.



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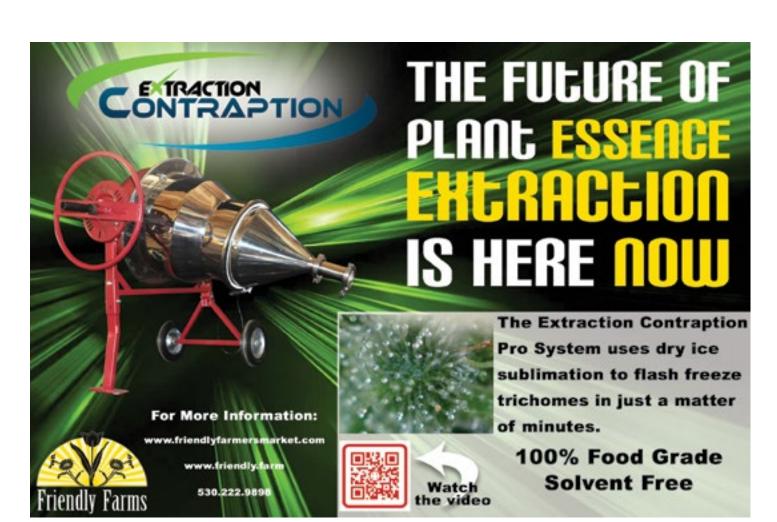
Keys to packaging success: BRANDING COMPLIANCE PROCESSING

Shifting from bulk cannabis in glass jars to individually packaged products requires more emphasis on efficiency and design

By ALEN NGUYEN

ackaging can be fairly new to those entering the recreational cannabis industry, and there is a lot that can be learned from those who have gone through Washington's roll-out. Packaging has three major components to it in the cannabis world that should receive special attention: branding, compliance and processing.

• Branding: This seems like a no-brainer, but you'd be surprised how many cultivators overlook this important part of packaging, or wait until the last minute before product hits retail shelves. When the topic of branding has been approached with growers, many have said something along the lines of, "I'm not too worried about that. My product sells itself. It's





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BRANDING CAN IMMEDIATELY CREATE A HIGHER PERCEIVED VALUE THAN COMPANIES THAT DIDN'T PUT AS MUCH THOUGHT INTO THEIR **PACKAGING AND DESIGN**

top-shelf cannabis."

Previously, when growers sold their products to dispensaries, cultivators would bring in a bag of XYZ Company's cannabis that was a particular strain and potency. Then it would go into a large glass jar, and it was no longer XYZ's cannabis. When sold in this manner, it's now just a Blue Dream that tested out at 20% THC. Without branding or packaging, the product would have to sell itself on quality alone.

The evolving marketplace allows customers and patients to peruse the variety of cultivators producing Blue Dream, placing heavier emphasis on brand recognition. Branding can immediately create a higher perceived value than companies that didn't put as much thought into their packaging and design. It also allows customers to quickly identify your brand, and remember the quality from the last time they consumed it. Branding serves two purposes: gaining a first-time customer, and keeping that customer. It also convinces customers to try your other products based on the branding alone. If they've tried your flower before, but want a pre-rolled joint, then it's an easy choice when they see a joint box that matches your custom bag.

• Compliance: In the cannabis industry, the rules will change fast, often and without notice. This especially applies to product packaging and labeling, and even more so with infused products. This is probably the most important takeaway from this whole article: Be careful with your packaging investment.

I highly advise against purchasing expensive packaging equipment that costs more than \$15,000 unless it can produce a nationally certified child-resistant package. With all the rule changes, you could invest in a packaging machine that produces an amazing product and streamlines your operations, but becomes an expensive paperweight with just one rule change. This hedging of risk also provides the benefit of being able to test out your branding and product. Going with inexpensive packaging for your first go-around allows you to see what types of products are selling and which ones aren't. Then, after getting that feedback, you can be confident that your capital investment in a packaging machine will be well worth it.

The easiest way to mitigate your packaging risk is using child-resistant packag-



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Northern California has always been a trend setter in growing and light-dep is no exception. Light-dep techniques have been used and perfected here for many decades. Light deprivation is now fast becoming the preferred method of growing throughout most regions. Growers are finding that the intensity of mid-summer sun and the lower humidity levels are allowing them to command premium prices for a superior product that's available before the market place is glutted by outdoor fall harvest. With the "green" movement gaining momentum and the desire to become carbon neutral, along with a more predictable high quality harvest many indoor growers are switching to light-dep and this trend will surely accelerate across the country. Overhead costs are significant with indoor and using the sun's natural energy is an obvious way to increase profit.

In addition, we believe the drought will play a significant role in driving people into the light dep arena, as water shortages may mean a full term crop will not be possible.

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ing from the very beginning. This meets a national certification, and removes the gray area subjectivity from the regulatory agency. Most legislative requirements indicate this is one specification that will stay in constant compliance.

• Processing: Once you've got your branding figured out and you're in full compliance, the next factors that will set you apart from your competition are pricing and operations. Packaging is the largest bottleneck in any cultivation/processing facility. If you can reduce the labor cost of packaging, you'll be able to reduce the product cost to customers. The type of packaging has a direct impact on efficiency. Certain types of packaging can take twice as long as others to package flower, which impacts your bottom line.

Alen Nguyen is the CEO of Green Thumb Industries (www.greenthumbind.com), a B2B distribution company for the cannabis industry. He has a bachelor's degree in electrical engineering from the University of Washington and a master's degree in business administration from Embry-Riddle Aeronautical University. He can be reached at Alen@greenthumbind.com.





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RAISING CAPITAL: THE ADVENTURE BEGINS



For some businesses, the gut-wrenching challenge of raising capital marks the first step into the cannabis industry

By MARGUERITE ARNOLD

he time has never been better to launch new ventures and obtain private capital, despite the lingering controversy and higher risks associated with marijuana businesses.

"The cannabis industry is falling outside of the standard deviations of what would normally be available," says Leslie Bocskor, managing partner of Electrum Partners, an investment and strategist firm serving the industry.

"This is because of pent-up demand, and the unique situation of having a black market industry migrate into a regulated industry of the size that it is. The result we are seeing is an unexpected availability of capital and realistic valuations for early-stage businesses. And the game has just started."

That said, it's important to be aware of the culture of startup capital and the requirements of venture capital firms. There



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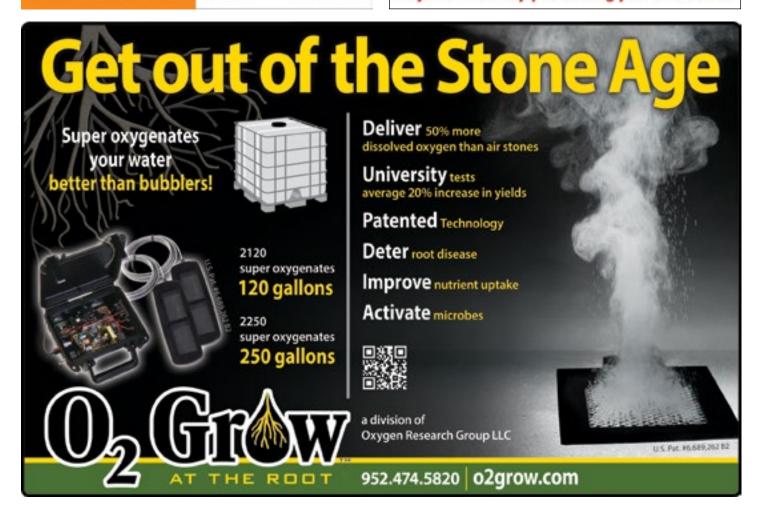
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POLITICS CLASH AGAINST BANKING REFORMS

By Alexandra Harrell

While the marijuana industry is flourishing with technological advances and increasing acceptance from mainstream America, it continues to be plagued by the lack of banking services.

This significant hurdle alienates the burgeoning industry in an increasingly credit-based society. The image of people carrying bulging suitcases stuffed with money and a trail of escaped

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hundred dollar bills fluttering behind them isn't limited to mafia movies and pop-culture representations of bank heists. It's the harsh reality for thousands of marijuana entrepreneurs.

Businesses will keep using elaborate banking workarounds, such as perfuming their cash to avoid suspicion and paying bills with money orders, until legislative changes clear the path for traditional banking.

A few companies have tried and failed to become the first credit union specifically for the cannabis industry.

"They weren't approved because somewhere down the line, the bank or financial institute has to be connected to the Federal Reserve," lawyer and business advisor Lee Epstein, of CannaServe, says. "Otherwise they'd have no way of trading cash in. If you have an account with the bank, you have an account with the Federal Reserve, because they can't hold all that money. The cash are also some rules of thumb that venture-seeking cannabis startups should follow.

To start, keep the business plan relatively small, advises Chase Wiseman, chief financial officer of Flowhub, a software company that raised its startup capital very quickly.

"In the cannabis industry, the written business plan shouldn't be more than 15 pages, including the six-plus pages of projections," Wiseman says. "This will show prospective investors you are focused and you don't come across as knowing all the answers."

Scott Jordan, the director of business development for Dynamic Alternative Finance, says entre-

preneurs looking to raise

capital should be interviewing prospective investors just as much as venture capitalists are investigating them.

"Be prepared to answer and ask questions," Jordan says.
"Have they invested in cannabis before? Who else will they consult with before making a decision to invest? What

sort of time frame do they have in mind for a return on their investment? Can they bring any additional contacts, expertise or introductions to help grow the business?"

The fundraising process is difficult, and it takes a variety of skill sets to be successful, Jordan says. It's critical to have good legal representation from an attorney or law firm experienced at raising capital, reading the fine print and negotiating reasonable terms.

"It generally takes a team and some financial resources to prepare for a pitch to a qualified investor," he adds.

Wiseman advises an overly conservative approach to projections. He says most sophisticated investors won't bet on over-inflated market projections.

"I would even go as far as to cut all market projections on cannabis by one-third," he says. "Do not ever say you are going to capture 30-50% of the market in two years from seed capital, unless you have the cure for cancer. Be reasonable. The last thing you want is high expectations. If an investor concludes that they can make a good return on a whittled down market, or 5-10% of market capture in year one, they'll make big returns if you surpass your original projections."

This goes for business valuations, as well. It's an area that entrepreneurs should carefully consider as they put together business plans and investor pitch presentations.

"Ask any investor or fund in the cannabis space and they will tell you the most outrageous thing they see from companies raising money is the valuation," Wiseman says. "Want to know a key to raising money fast and not getting beaten up on this issue? Be conservative."

Some experts say valuations across the industry are incredibly high, and many of them are unjustified.

"We have had direct experience with valuations of marijuana-related companies and have found that there is no rhyme or reason to valuations," says Aaron Herzberg, partner and general counsel of CalCann Corp, a California medical marijuana holding company. "I have found it particularly shocking how high the valuations are in the penny stock companies that often have little to no real revenue. I've seen ancillary businesses at ridiculously high valuations where there is an unproven business model."

The structure of financing is also a key point to consider. How much control and equity should entrepreneurs be willing to sacrifice for necessary capital?

Jordan prefers to focus on debtbased strategies.

"As long as you repay the loan, there is no ownership impact and no one telling you how to run your business," he says. "This scenario allows you to keep total control, retain equity and keep your peace of mind."

Without a doubt, the investment opportunities in a completely new industry — at least in the legal sense — has created a fervor. There is clearly still a great deal of interest

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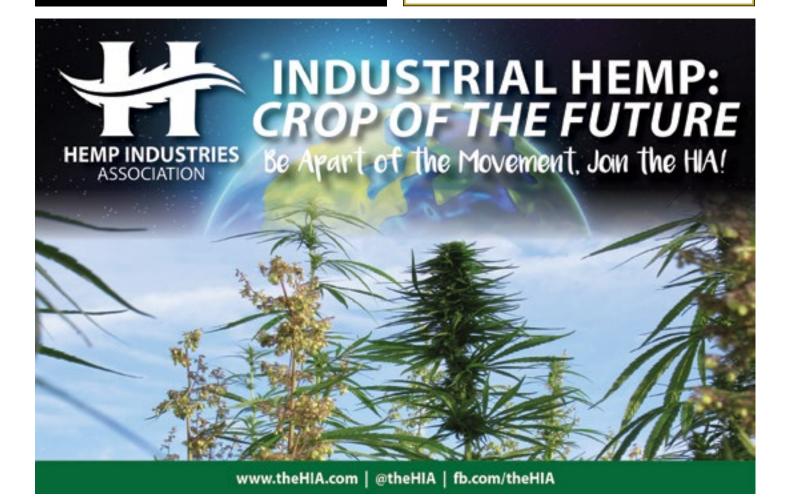
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is transferred to the closest Federal Reserve office. The bank then becomes the target, and they don't want to make themselves targets, because federally, they're dealing with an illegal product and that would be committing a crime."

Even in states where marijuana is legal, banks could still be at risk of money laundering charges by accepting deposits related to a federally illegal activity.

But not everyone sees the positive aspects of allowing marijuana money into national banks. Roger Morgan, founder of the Take Back America Campaign and author of "Marijuana: Brain Damage. Birth Defects. Addiction," has been fighting against legalization for more than 20 years.

"At this point it doesn't matter if it's America or Mexico or what have you, if we legalize this business, the marijuana use will increase dramatically," Morgan says.

In his most recent endeavor, he opposes legislation that would allow marijuana money to be accepted by banks. Morgan's argument smacks of "reefer madness" by drawing a correlation between marijuana use and mass murderers.

"We're fighting for the survival of mankind," he says.

While steadily becoming the minority, opinions like Morgan's have fueled the War on Drugs for decades.

According to Harvard University economist Jeffery Miron's 2010 study, marijuana prohibition costs state and federal governments \$17.4 billion every year.

So what's the alternative?

Eventually, Epstein says, the federal government is going to have to reschedule cannabis, or better yet, remove it completely from the Controlled Substances Act schedule.

Regarding the medicinal value of marijuana, Epstein says, "How long is the federal government going to be able to deny it?"

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in innovative retail startups. However, the entire vertical continues to grow, especially now that marijuana companies are finding more ways to legally operate across state borders. That said, multi-state strategies, particularly for brick-and-mortar or farming startups, are more complicated and pose higher risks to inves-

"Our focus has been on marijuana licenses in Southern California. which is the largest marijuana marketplace in the world," Herzberg says, pointing to the long-term play of real estate investments that are entitled to dispensary, cultivation or manufacturing licenses.

While some investors may be more at ease with ancillary companies, "it has been a challenge to find investors who understand technology investing and are also comfortable with the relation to cannabis." says Jeremy Carr, the CEO of Blaze Now, an advertising and data collection platform.

The marijuana industry faces ad-

ditional challenges. Not only is the industry still federally illegal, but new businesses in general are considered far more risky by investment firms. And

the biggest danger of all could be the 2016 presidential election.

"The risk that the market becomes completely illegal depending on which presidential candidate takes the POTUS seat in 2016 also weighs heavily on the consciences of investment banks in the public space," says Jason Wolf, the CEO of marijuanastocks.com.

Most people see this as highly unlikely at this stage of the game, even if a Republican president takes office. Yet, that chance remains a drag on both industry development and private financing at a time when Oregon and Alaska are coming online and at least a half-dozen states' residents will consider legalization initiatives in the coming months.

Marijuana Venture editor Garrett Rudolph contributed to this story.



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Trump vows paraquat carpet-bombing of pot

Presidential candidate says something really outrageous

By Ahmed Adoobi

NEW YORK — Republican presidential hopeful Donald Trump reiterated his opposition to marijuana legalization today, stepping up his prohibitionist rhetoric by declaring, "All options are open when I become president."

When asked about specific programs and control methods, Mr. Trump suggested that he would revive the highly controversial spraying of marijuana fields with paraquat that occurred in the 1970s and 1980s.

"Look, I'm the only guy who will tackle the tough problems and do what needs to be done," he said. "Pot is a problem, and we know it. My approach would be to do the same thing I'd do to ISIS, but instead of bombing the shit out of pot, I'd spray the shit out of it with paraquat and other herbicides."

The real estate tycoon echoed earlier comments about illegal immigrants, marijuana and the 50-foot wall he plans to build.

"We know the devil's lettuce originated in Mexico, and we also know that the majority of Mexicans in the U.S. smuggle and use marijuana," he said.

When pressed further about states like Colorado and Washington, where voters have approved the legalization of marijuana for both medical and recreational use, Mr. Trump angrily denounced the reporter from The New York Chronicle who asked the question.

"You're starting to sound like Megyn Kelly of Fox News," he said. "What kind of stupid question is that anyway? I'm not going to put up with a bunch of dopers in those states. Just because they legalized pot, that doesn't give them the right to override U.S. law. What's next? Gay people getting married? Equal rights for minorities? Women in the workplace? I just think this state's rights stuff is getting out of hand, and my administration would make some big changes."

Today's Weather: Partly Hazy

Mr. Trump made it clear that his own previous marijuana use was not an issue: "I don't see what my record in the past has to do with my qualifications to run for president," he said. "We live in a free country, and as such I have every right to do as I please prior to being elected. Consistency and honesty are not what the American people want. They want a strong leader who knows how to fight pot use, talk tough and piss off Muslims and Mexicans."

Mr. Trump criticized recent editorials that have characterized him as a racist, xenophobic multi-millionaire.

"How dare they suggest I'm one of those impoverished losers," Trump stated, before reminding members of the press that he saw weed-smoking Arab nationals in New Jersey cheering the destruction of the World Trade Center towers in 2001.

"I saw what I saw."

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Pesticide use embarrassing for the cannabis industry

Marijuana businesses can't afford black marks

By Garrett Rudolph



Month, we're seeing the pesticide problem continue to grow within the cannabis industry. To be completely honest, it's embarrassing.

As if marijuana businesses and the legalization movement need more obstacles and opponents, the prevalence of banned pesticides is a black eye for both the industry and the regulators who are establishing and enforcing rules.

Denver health officials recently issued their 20th recall of cannabis products, many of which have been related to the use of Eagle 20, a systemic fungicide with myclobutanil as the active ingredient. Myclobutanil, for those that don't know, produces hydrogen cyanide gas when burned. If growers aren't concerned about chemicals in their plants, you can bet consumers won't look too kindly on this fact when they catch wind of it.

State regulators have been maddeningly slow to follow suit in both Colorado and Washington.

In November 2015, Colorado Governor John Hickenlooper issued an executive order declaring pesticide-tainted marijuana to be a public safety risk. At the end of February, the state finally put the executive order to use by recalling cannabis products from four different operations.

Meanwhile, Washington saw its first two cases of illegal pesticide use, but rather than issuing any sort of recall or taking significant action, the state levied a pair of fines. This comes at a time when the state is attempting to merge the unregulated medical market with the recreational sector. All along, there's been this line about "protecting legitimate patients" as a key reason why the two markets need to operate under the same rules. Clearly, if there's something legitimate patients need, it's the assurance that their pesticide testing seems like it should have

been a much bigger priority than, say, Mr. Yuk stickers some people have proposed for cannabis packaging.

It's easy for me to sit at my desk and cast stones at those companies that have been caught using banned pesticides. I don't have any skin in the game.

But I think the vast majority of the industry recognizes the importance of doing everything right. They know the War on Drugs is far from over. They know watchful eyes are waiting for any slip-up, any way to gain leverage against legalization. They know the 2016 presidential election could potentially bring a new set of rules, and that their livelihood hangs in the balance. But sadly, the prohibitionists are not concerned with separating the good actors from the bad; they'd just as soon lump everybody into the same category.

The need for effective pest control won't disappear, but neither will the news headlines. And at this point, we have a lot more questions than answers.

This is part of the transition from underground black market product to regulated agricultural crop. The old cultivation methods people have used in the past might not work in today's market. It's unfortunate that growers haven't had access to the kinds of resources they need to effectively control pests without dangerous chemicals, but that's changing fast. Just like other aspects of this industry, success will come to those who are willing to dive deeper than an Internet chat room to determine best practices.

Cannabis might be a special plant to those who grow it and consume it, but it's still just a plant, and people have been studying horticulture and botany for ages. There are true experts out there, and many are increasingly willing to work with the cannabis industry. But most of them don't spend their hours posting information on online forums.

GARRETT RUDOLPH EDITOR



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Bud Scores

This issue marks Marijuana Venture's first foray into blind taste testing of cannabis. We will have our team of three experienced bud tasters try two samples each month. The test is done completely blind. There are no visual cues; no information is relayed regarding the origin of the product or any other factors that might influence the testers. We believe blind testing is the only way to get a truly honest score. Paid reviews amount to nothing more than promotional fluff. Knowing details about a sample in advance will undoubtedly allow the tester's own bias to influence the results.

Each of our testers has been asked to rate a bud sample on five factors: smell, taste, texture (or cure), how it smokes and overall appeal. Each category is rated on a scale of 1-100, with 100 being a perfect score. The results of the five categories for each tester are averaged to determine the Bud Score.

We deliberately did not include the effect or the "high" in the rating, because we chose to mirror blind tastings in the wine, cigar and spirits businesses. Each Bud Score is determined according to personal appeal and taste, rather than how stoned it made the tester. We realize that some readers may not agree with this method, and there is some subjectivity involved, but we believe it's the best way to get an objective opinion of the product being reviewed. Each sample was purchased at a Washington state-licensed retail marijuana store.

Brand: Phat Panda Strain: OG Chem Total THC: 28.6%

Harvest date: Nov. 12, 2015

83.7

Brand: Green Barn Farms

Strain: Super Skunk Total THC: 15.3%

Harvest date: Sept. 25, 2015

81.4



Joy Beckerman is a renowned industrial hemp and marijuana consultant and policy maven who has been involved in both movements for more than a quarter of a century. She judged her first High Times Cannabis Cup in Amsterdam in 1995, and enjoyed her most recent High Times Cannabis Cup judging in SoCal in 2015 before a wide variety of duties overwhelmed her cannacalendar.



Shelby Talmadge has developed a new appreciation for cannabis ever since she helped start Tahoma Growers. Her role as CEO of the farm has furthered her passion for researching different strains and terpene profiles. When she isn't busy coordinating marketing activities or "testing product," Shelby likes to hike with her dog Juno. She graduated from the University of Washington with a degree in history.



Tera Martin is the general manager at Green Theory, a state-licensed marijuana retail store in Bellevue, Washington. Her personal experience as a breast cancer survivor and passion as an advocate led to her founding the Pink Gene Foundation, which helps young women become proactive in the fight against breast cancer by educating, providing resources and offering assistance.



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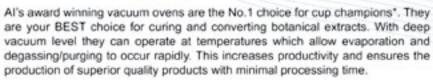








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