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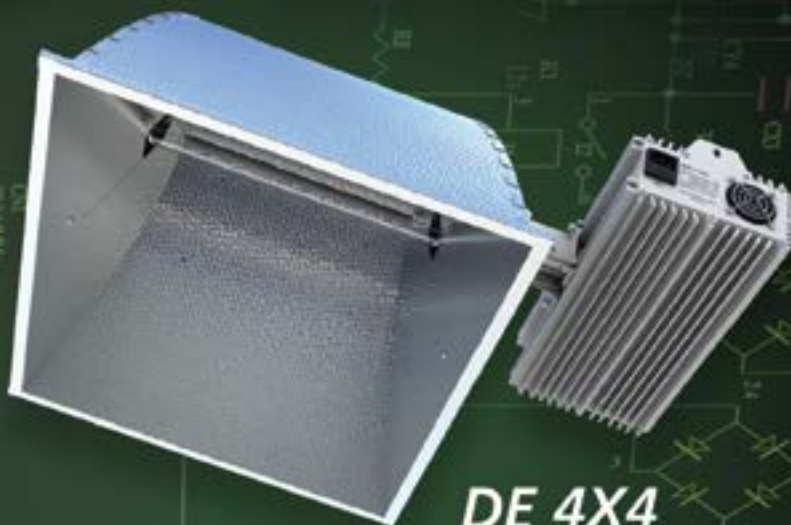
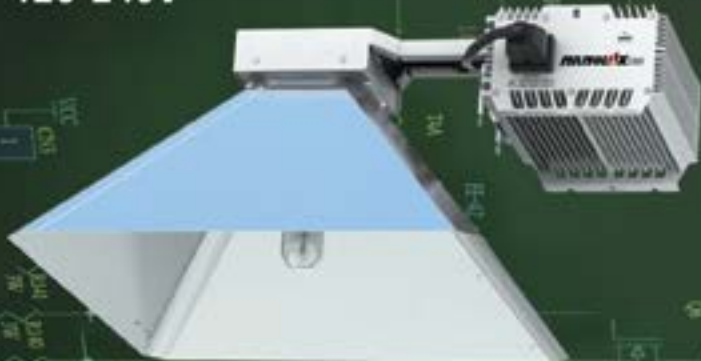


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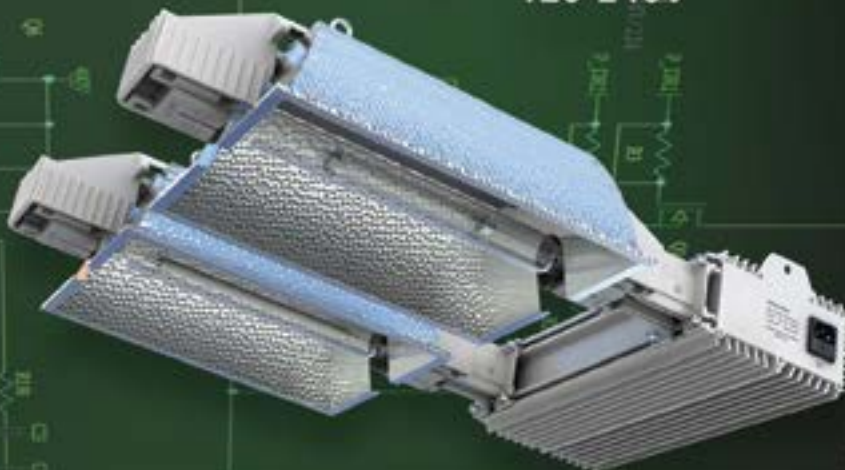
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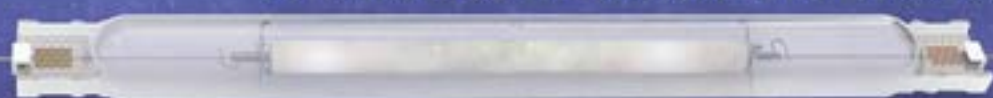
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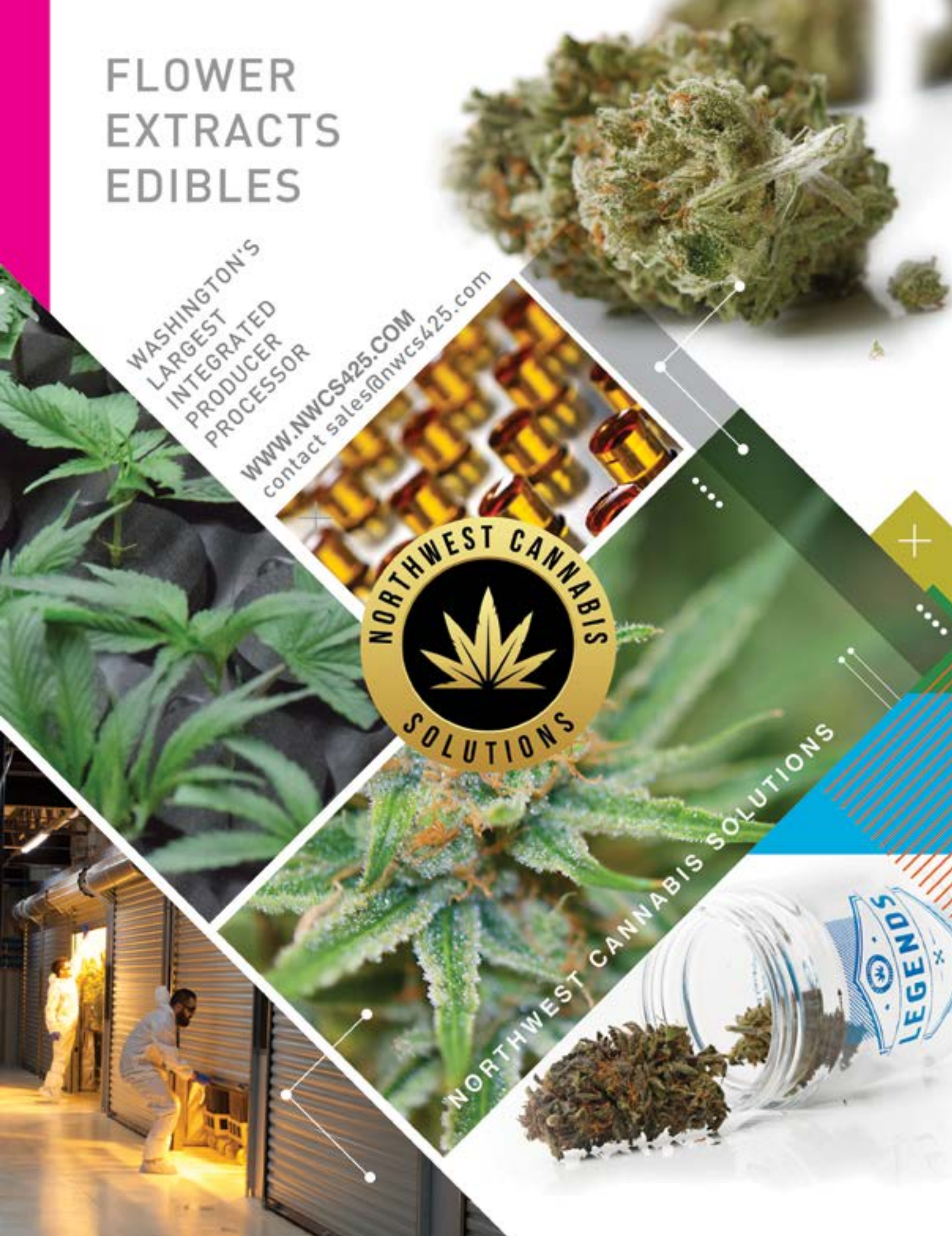
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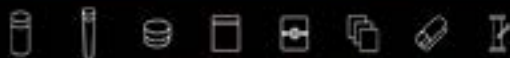
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ABOUT THE COVER: Lexie Owen poses with several Dutch Treat plants. *Photo by Greg James.*



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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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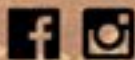
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MARIJUANA VENTURE Staff



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After being honorably discharged from the U.S. Navy, Greg attended the University of Washington on the GI Bill. In 1990 he founded Topics Entertainment, which went on to become the largest privately-owned consumer software company and was twice featured in the INC 500. He has four kids and enjoys fly fishing, scuba, mountaineering, skiing, biking and foreign travel.

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Lisa is a longtime advocate for legal marijuana and feels fortunate to be a part of the industry. She especially enjoys working with and getting to know our advertisers. If you're interested in getting your message out and in front of this new & evolving category, drop her a line, we're certain she can help and would love to hear from you.

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Expert contributors

Marijuana Venture seeks out well-respected experts in their fields to contribute content and guidance for cannabis industry business owners and managers.



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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 of success, handling sophisticated legal matters that include business and corporate law.

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The 'S' Word

'Stupid' is the best way to describe most drug laws



After high school, I served four years in the U.S. Navy. It was something I wanted to do before college, and it was a great way to get my university education paid for with the GI Bill. I was stationed in San Diego on a guided missile cruiser called the USS Leahy (CG 16). It was close to heaven for a 20-year-old single guy.

There was a Navy recruiting slogan back then that I remember: "It's more than a job, it's an adventure." The Navy was definitely an adventure, and the year we spent steaming from port to port in Asia in 1979/1980 was a real eye-opener. One of the funny things I remember from that time was how the Captain got on the ship's intercom every time we entered a new country. He invariably gave the entire crew a lecture about the dangers of using or buying drugs in the ports we visited. As it turned out — and we learned this quickly — the reality of drug availability and attitudes were often inversely proportionate to what he said.

"South Korean drug laws are harsh, and all drug stores are off limits to American sailors" translated to "Their drug stores have lots of stuff and you're not required to have a prescription."

This happened at almost every port. We were warned about marijuana laws, but it was readily available and often openly consumed in the Philippines, Taiwan, South Korea, Hawaii, Japan and just about everywhere else we docked. (Singapore being the one glaring exception!)

I mention this because it seems to be just another example of how silly the long prohibition against cannabis has been. Anti-marijuana laws have been

in place for years, and yet for the most part, they've been willfully — and widely — ignored. Sure, you don't want to get caught with 100 kilos of weed in Mexico, but speaking from experience, if you were a U.S. sailor based in San Diego with a few joints on you in the '70s or early '80s, the Mexican police in Tijuana would ignore you even if you smoked it in front of them. At the very worst, you'd have to give them a joint and receive a \$10 "fine" (which was immediately pocketed). In the end, it was all about money, and the Mexican Federales knew sailors had little of it, and that it was a waste of their time to enforce the so-called "harsh" Mexican drug laws.

Which leads me to what's been going on in the USA: As you read this, it's quite likely that several more states have voted to legalize recreational marijuana, or will be shortly. Why on earth did it take so long? Are we humans really that stupid? Why do we allow social conservatives to dictate how we may behave in the privacy of our own homes if that behavior hurts

no one else? Why would anyone possibly think it's okay to drink whiskey, but not be allowed to have a toke of pot? (Or for that matter, think that straight couples can get married, but not gay couples?)

Civil rights, women voting, gay marriage, the end of slavery, marijuana legalization, a woman's right to choose ... each issue, a long, expensive fight, yet with outcomes as predictable as the sun rising in the morning. Stupid seems to me to be the best way to describe most of these drawn-out battles over the inevitable advances in what is regarded as socially acceptable behavior.

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– Greg Walters,
Potshotz, Seattle

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For information: greg@marijuanaventure.com or 425-656-3621 (Melanie or Brandon)



Left: the annual Marijuana Business Conference in Las Vegas is the biggest cannabis trade show of the year. Above: Marijuana Venture sales manager Lisa Smith meets Julian Marley at the 2015 event.

Biggest cannabis industry event returns to Las Vegas

LAS VEGAS — Comedian and magician Penn Jillette headlines the fifth annual Marijuana Business Conference and Expo at the Rio Hotel and Casino in Las Vegas on Nov. 15-18.

The show is recognized by most industry professionals as the largest business convention and networking event in the country. More than 7,500 business professionals are expected to attend the three-day event.

The show floor will include more than 300 exhibitors from all avenues of the cannabis industry.

Other speakers include WhiteSpace at Work owner and founder Juliet Funt, who will discuss how to maximize every hour of the workweek, and Chris Walsh, editorial director of Marijuana Business Daily, who will provide an analysis of financial data. The event has more than 30 sessions scheduled for attendees, including a post-election panel discussing the results of the latest legalization efforts, an infused products workshop, debates on cultivation

techniques and more.

The pre-show events, the Marijuana Business Crash Course and MJBizCon Science Symposium run from 10 a.m. to 5 p.m. on Nov. 15. The Marijuana Business Crash Course introduces attendees to the basic components governing marijuana businesses. Topics such as testing, banking and security are scheduled throughout the day in 20- to 45-minute segments. The trade show floor will be open Nov. 16-18.

Marijuana Venture readers can receive \$50 off main conference access by using the coupon code **ThanksMarijuanaVenture50**.

More information: mjbizconference.com.

MORE EVENTS

October 22: Four Washington cannabis companies have partnered together for **Cannagars for a Cause**, an auction to raise funds for cancer research. Green-Theory, a marijuana retail store located at 10697 Main St. in Bellevue, Washington, will host the event on Oct. 22.

The centerpiece of the fundraiser will be presented by Leira, the artisanal cannabis processor that creates cigars made entirely out of marijuana. In support of breast cancer research and awareness, Leira has partnered with Gold Leaf Gardens to create a one-of-a-kind cannagar filled with 12 grams of Gold Leaf's award-winning Tangie strain, coated in three grams of Tangie rosin and wrapped in marijuana fan leaves. It is housed in a custom humidor by Cannador, engraved to commemorate the event.

Several other cannagars and various cannabis items from local processors such as Evergreen Herbal will be available at the fundraiser as well. Evergreen Herbal's business model was formed around a family member with breast cancer, making the cause very important to the company.

Bidding will begin at 4 p.m. and close at 7 p.m., with the winner being announced at 7:15 p.m. Proceeds (after taxes) will be donated to the Pink Gene Foundation and Fred Hutchinson Cancer Research Center.

More information: green-theory.com/cannagars-for-a-cause-auction/.

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LEGALIZATION IN CANADA COMING SOON

ter on Oct. 29-30 is the **CannaGrow Expo**, a two-day event for cultivators to gather and share knowledge about best practices. The show offers attendees more than 25 educational sessions led by experienced professionals like Jorge Cervantes, Shane Young and Zacariah Hildenbrand, as well as access to 75-plus exhibitors displaying the latest in tech and commercial ag advancements. Tickets are available now.

More information: cannagrowexpo.com.

November 9-10: Just in time for growers to capitalize on harvest season, Marijuana Venture will host its **Fall Interchange** at the Renton Pavilion Event Center in Renton, Washington on Nov. 9-10. The two-day buying event pairs licensed producers in Washington with buyers from the largest retail stores in the state. Each vendor is guaranteed at least 20 face-to-face meetings. The event is closed to the public. The Fall Interchange will be limited to about 50 vendors and 50 retailers.

More information: greg@marijuanaventure.com.

November 12: The second annual **Hemp & Health Expo** will be at the TRAC Center in Pasco, Washington from 10 a.m. to 7 p.m. on Nov. 12.

The event will help educate the traditionally conservative Tri-Cities community about the diverse, safe and effective uses of cannabis, and highlight other alternatives to pharmaceutical drugs. The goal is to empower people with information that will help break the stigma of cannabis and hemp by showing potential benefits.

Organizers have called upon local businesses that promote alternative medicines and holistic health to hold seminars, forums, workshops, panels and booths, while featuring cannabis industry experts who will answer any questions attendees may have. Throughout the day, there will be speakers and testimonials from those who have been positively affected by using cannabis. These people come from all walks of life, whether it's a mom with an autistic child, a cancer patient, someone with anxiety, or a veteran with post-traumatic stress disorder.

The event, which will be held the day

after Veteran's Day, will focus on bringing awareness to PTSD and other ailments veterans endure as a result of their service to the country. There will be a forum where veterans can tell their stories about how medical marijuana has helped them cope with these ailments and answer questions from other interested veterans and their families.

Local business owner and cannabis activist Tracy Sirrine of Patients for Patients Medical will help answer questions about medical marijuana cards and permits to carry a concealed weapon.

Jerry Whiting, who has more than 50 years of cannabis experience, will lead a four-hour budtender certification course for those interested in working in cannabis retail.

Organizers hope to turn the Hemp and Health Expo into an annual event that will continue to grow. More than 50 vendors will be present at this year's expo, which is presented by Green2Go, the area's only recreational marijuana store.

Admission to the event is open to adults 21 and older. Tickets start at \$10. For \$15,

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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.

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attendees gain access to all seminars. The budtender certification course costs \$200.

More information: hempanthealthexpo.com.

November 29-30: The Medical and Recreational Marijuana in Washington State seminar will be held at the Motif Seattle Hotel and via live webcast on Nov. 29-30. Hosted by The Seminar Group and program chair Hilary Bricken, the two-day event explores the existing and emerging issues facing Washington's marijuana industry. Topics include trademark securities, contract issues, advertising, intellectual property, tribal law, taxation and more.

More information: tsgregistration.net/5662.

December 5-6: The third Native American Marijuana Conference takes place at the Viejas Casino & Resort in Alpine, California on Dec. 5-6. The show brings together prominent experts to discuss legal, economic and social factors that impact Native Americans looking to

enter the marijuana market. Native Nation Events, the host of the event, encourages all tribes considering cannabis as a way to generate revenue to join the discussion. Industry professionals who want to partner with tribes are also welcome to attend the event.

More information: nativenationevents.org/third-native-american-marijuana-conference.

January 31-February 1, 2017: The National Cannabis Industry Association's **Seed to Sale Show** takes place at the Colorado Convention Center in Denver on Jan. 31 and Feb. 1. The show looks to provide industry solutions for both cultivators and retail business owners. The NCIA expects more than 80 exhibitors and nearly 2,000 business executives and buyers to attend. The show is open to the general public; however, exhibitor space is reserved for NCIA members. Ticket information and the show's agenda have yet to be announced.

More information: cannabisbusiness-summit.com/Denver-2017.

February 2-3: The third annual **Emerald Conference** is Feb. 2-3 at the Hyatt Regency Mission Bay Spa and Marina in San Diego. The event remains dedicated to the exploration and science of cannabis. Topics of discussion include: Analytical testing, research and development, clinical applications, inter-lab comparisons and proficiency testing, state regulations, industry standardization and more. Show organizers say the event draws a variety of lab owners, clinicians, directors, state regulators and accreditation agencies. Tickets are available now.

More information: theemeraldconference.com.

February 10-12: The **Hawaii Cannabis Expo** will be Feb. 10-12, 2017 at the Neal S. Blaisdell Exhibition Hall in Honolulu. This event offers attendees free education seminars, panel discussions and keynote presentations by industry leaders. Classes cover growing, budtending, strain selection and advanced cultivation.

More information: hawaiicannabisexpo.com.

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February 15-16: The **Cannabis Collaborative Conference** returns for its third year in Portland, Oregon and expects to host its biggest show ever. The event is set to take place at the Portland Expo Center on Feb. 15-16, with an investor summit that precedes the main event on Feb. 13.

More information: ccc-con.com.

February 16-18: Returning for its fourth year in Seattle, **CannaCon** is scheduled for Feb. 16-18 at the Smith Cove Cruise Terminal on Feb. 16-18. The event is the largest cannabis business show in Washington and regularly sees more than 3,000 visitors per day.

More information: cannacon.org.

March 31 – April 1: The fourth annual **NoCo Hemp Expo** opens on March 31 at the Ranch Events Complex in Loveland, Colorado. The event focuses specifically on the industrial hemp industry and brings hemp businesses and professionals from around the globe together under one roof. Speakers will address a variety of aspects about hemp laws and

business opportunities.

More information: nocoheмпexpo.com.

April 3-7: The University of Arizona's Controlled Environment Agriculture Center invites the public to attend its **Greenhouse Crop Production & Engineering Design Short Course** on campus in Tucson, Arizona on April 3-7. The course does not discuss cannabis cultivation, but focuses on the best information in controlled environment agriculture. It includes presentations from industry experts, hands-on education and training workshops, plus a commercial greenhouse tour. Webinar options are available for those who cannot attend the course in person.

More information: ceac.arizona.edu/public-courses.

April 21-23: The Sheraton Centre Toronto Hotel hosts **O'Cannabiz** on April 21-23 in Ontario, Canada. The event addresses Canada's decriminalization of marijuana from a business perspective. Organizers hope to prepare attendees for the new marketplace through panels and

discussions with forward-thinking industry leaders. The first day of the show provides attendees with a crash course of the industry, while more complex topics are addressed during the following days. Each day of the show includes breakfast, lunch and an evening mixer. Tickets are available now.

More information: ocannabiz.com.

June 12-14: The **NCIA Cannabis Business Summit** returns to Oakland, California on June 12-14. Show organizers expect a record turnout at the Marriott hotel.

The fourth annual event will have more than 250 exhibitors and at least 4,000 business executives and buyers. The show is open to the general public; however, exhibitor space is reserved for NCIA members. Ticket information and the show's agenda have yet to be announced.

More information: cannabisbusinesssummit.com.

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

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CO₂, or carbon dioxide is a naturally occurring gas that exists in our atmosphere at about 400 parts per million. It's what plants breathe in and what we breathe out after we inhale the oxygen that plants made for us from the CO₂ we exhale. This symbiotic relationship of gas exchange between plants and animals has helped sustain life on Earth for millions of years.

When used as an extraction agent, CO₂ is a non polar solvent that is ideal for pulling oils out of botanicals. This is accomplished by compressing the gas with high pressure pumps until it goes into a dense liquid state and then pumping it through a pressure vessel filled with dried, ground up plant material. After the pressurized CO₂ penetrates the plant material, oils are released into the CO₂ and the stream of oil laden CO₂ passes through a regulator valve and into a separation chamber where the pressure drop causes the CO₂ to go back to its natural vapor state. The extracted oils then drop out into the bottom of the separator for collection.

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Eden Labs

is a recognized leader in the extraction industry and has provided equipment to the flavoring, perfume, nutraceutical, biofuel and cannabis industry for 21 years. Eden's intellectual investment in technology and thought leadership has helped pave the way for the growth of many industries, but especially medical legalization across the country. Without this health focused innovation early on, the industry would be years behind where it is today.

The company was started in 1994 with the introduction of the **Coldfinger** distillers and extractors. These were the first herbal extractors available to the general public. In 1995, Eden started marketing CO2 extractors. The early units were linear, meaning the CO2 was not recovered and reused. CO2 was simply vented out every run. In 2003, Eden introduced the first closed loop unit allowing for multiple runs reusing the CO2 and creating a safer workplace.

The early Eden extractors used a gas booster pump meaning it pumped CO2 vapor. The vapor was compressed into liquid before passing through the extractor vessel. The extract laden CO2 then depressurized into the separator where the CO2 flashed to vapor and the oil fell out to the bottom of the vessel. The vapor then flowed to the inlet of the gas booster pump where the cycle was repeated until the extraction was done.

These systems solved the problem of recycling and reusing the gas, but the extraction time was slow and the pumps broke often due to residual oil carrying over, carbonizing and destroying the pump. Today, you can find this older design copied and modified in some way, but the underlying issues of excessively long runs and down time still remain. This significant hindrance to the success of a business is something Eden does not accept.

In 2012, Eden solved all of these issues with the introduction of its Hi-Flo CO2 extractors. The Hi-Flo was revolutionary in that it was the first CO2 extractor on the market that was affordable, extremely efficient and virtually maintenance free. **The new design was four times faster, doubled the yield, eliminated pump damage and saved energy.** How was this accomplished? Fundamentally, the Hi-Flo system pumps liquid CO2 instead of gaseous CO2 which significantly improves the flow rate of the CO2 while utilizing only 1/3 the energy input. Maintenance issues and pump damage were resolved by the new design elements including eliminating oil entrained in gaseous CO2 from reaching the pump.

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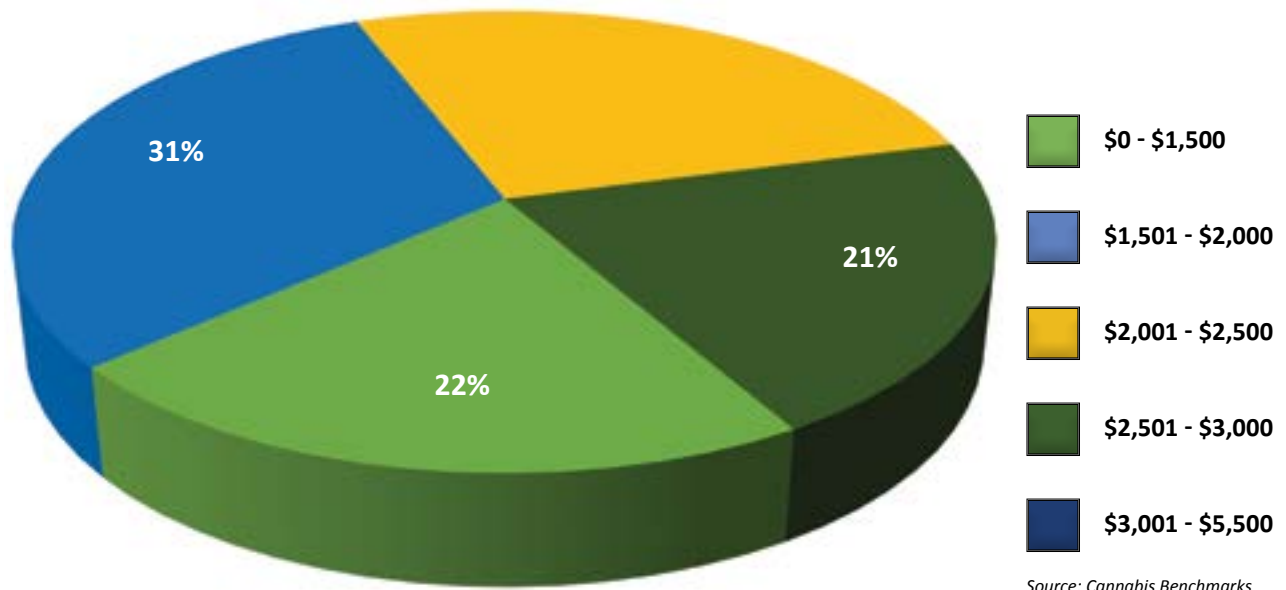
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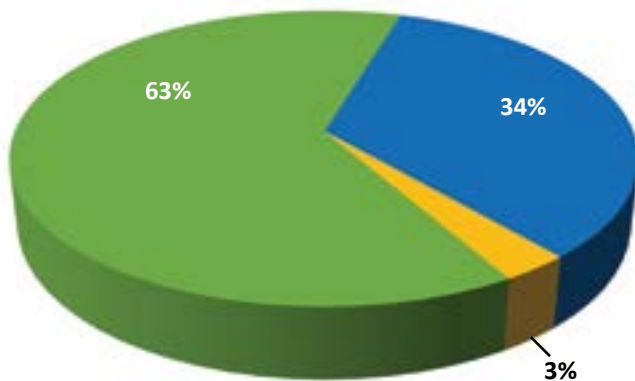
MARKET WATCH

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

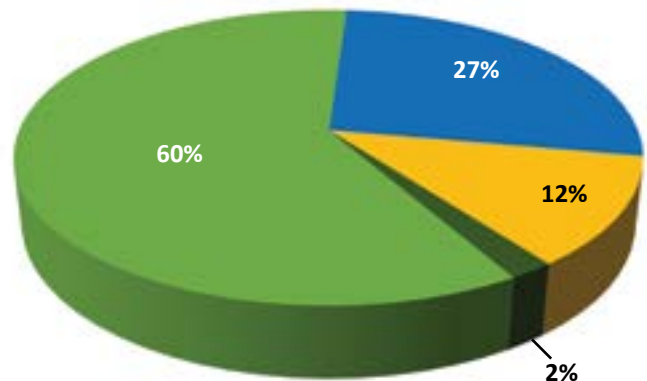
National spot pricing by grow type



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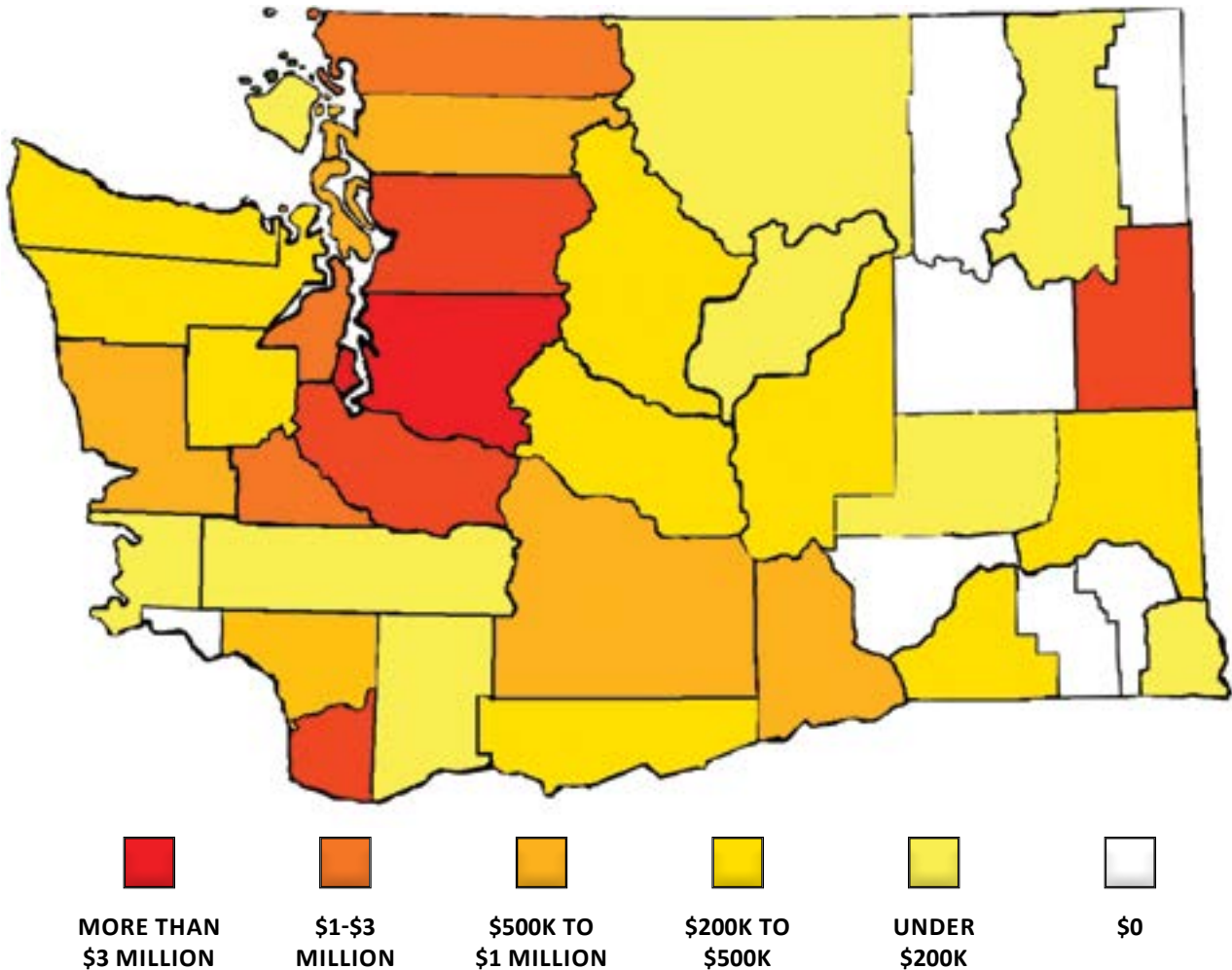
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MARKET WATCH

Wholesale edibles sales by county in Washington in 2016



Top 10 selling edibles retailers in 2016

1. NEW VANSTERDAM	\$2,143,793
2. UNCLE IKE'S	\$2,022,935
3. MAIN STREET MARIJUANA	\$1,889,274
4. BELLEVUE MARIJUANA	\$745,271
5. THE HERBERY	\$720,111
6. SEATTLE CANNABIS CO.	\$693,712
7. GREEN THEORY	\$664,959
8. ISSAQUAH CANNABIS CO.	\$660,734
9. STASH	\$611,122
10. GREENSIDE	\$584,602

Top 10 selling edibles manufacturers based on retail sales in 2016

SOLID	1. NORTHWEST CANNABIS SOLUTIONS	\$14,416,369
	2. BOTANICA SEATTLE	\$7,946,116
	3. DB3	\$3,667,923
	4. SILICA PHOENIX	\$2,315,041
	5. VERDELUX CHOCOLATES	\$1,566,370
LIQUID	1. NORTHWEST CANNABIS SOLUTIONS	\$2,353,337
	2. DB3	\$1,679,077
	3. LEGAL BEVERAGES	\$1,501,397
	4. FAIRWINDS MANUFACTURING	\$1,200,637
	5. ETHOS EXTRACTS	\$940,391



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Dispensary 33 utilized a friendlier, retail-oriented design than many Illinois dispensaries.



Dispensary 33

Chicago's first dispensary is a trendsetter

By Patrick Wagner

CHICAGO — Zachary Zises, the co-owner of Dispensary 33, says opening Chicago's first medical marijuana dispensary is the most intellectually rewarding thing he has ever done.

"It's been a uniquely positive experience from the get-go," he says. "Figuring out how to jump through those regulatory hoops and how to realize our vision as best we can within those regulations is really a non-stop struggle that I really enjoy."

Zises and co-owners Paul Lee and Kristie Zises (Zachary's sister-in-law), wanted their business to mirror the dispensaries found in California or Colorado, rather than the clinical approach inferred by the language of the state's law.

"Nobody likes going to a doctor's office and we never wanted this place to feel like one," Zises says. "We have a strong feeling of what the experience should be for customers and have never deviated from that. We know that people don't

want to be treated like patients."

Dispensary 33, which was named in homage to the end of alcohol prohibition in 1933, features a design inspired by traditional retail stores. Zises believes the wide-open sales floor sets it apart from competitors.

"If you are going to walk into an Illinois dispensary, it is going to look and feel a very particular way," Zises says, pointing out the state's heavy-handed approach to rules. Illinois has established regulations for some of the most minute facets of dispensaries, including the height of their transaction counter (48 inches).

Yet, Zises says he doesn't feel compromised. The Dispensary 33 owners believe it's important to display cannabis for patients, so they can see and smell the product before purchasing it.

"What really sets us apart from other dispensaries in Illinois is that we are really committed to displaying products to our patients," Zises says.

However, Illinois law mandates that any packages that have been opened cannot be sold and must be destroyed, meaning the opened packages come at a direct cost to Dispensary 33.

"Our entire store's layout and everything about how we interact with patients is predicated on the fact that patients have the right to — and completely benefit from — seeing the product before purchasing," he says.

Ironically, the Dispensary 33 owners also get their first glimpse of product from the samples designated for destruction. All products are tested for mold and pesticides prior to shipping, so buyers from the

store make decisions based on the cannabinoid profiles and lab results rather than physical inspection. The process makes strong relationships with cultivators even more important.

Company: Dispensary 33

Location: Chicago, Illinois

Owners: Zachary Zises, Kristie Zises, Paul Lee

Employees: 6

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Green-Theory's retail space is classy and stylish without being overly extravagant.

Green-Theory

Washington retailer evolves to stay ahead of competition

By Patrick Wagner

BELLEVUE, Wash. — As one of the first marijuana retail stores to open in Washington, Green-Theory has had to be creative and flexible to remain among the state's leaders.

"Everything was really good when we opened, but as time went on and new competitors opened up, we kept asking ourselves, 'What more can we do?'" Green-Theory sales and marketing manager Rachel Emadi says.

That question has kept the Bellevue, Washington retail store constantly fine-tuning its relationships with both customers and vendors.

After two years of pushing to stay one step ahead of the competitors and bridge the gap between self-identifying stoners and business professionals, Green-Theory now plans to move its flagship location to another downtown Bellevue location and open a second location in the Factoria neighborhood.

At first, the store cultivated a boutique atmosphere that fit with the upscale shops in downtown Bellevue. The store has since dialed back the aesthetic to find a

better equilibrium with a broad range of cannabis consumers.

Ever since Green Theory opened, Emadi says the company has been dealing with the stigma of being perceived as snobby because of its Bellevue location.

"Which has been very frustrating because, yes, it may be a really nice environment, but we are damn competitive in price," Emadi says.

From this introspective process, Green-Theory devised strategies like price matching, loyalty programs and a number of other discounts for customers. The interior of the store retains small segments of its boutique past, subtly buried between the glass displays and steel shelves.

"We still want to cater to the soccer moms and professional crowd," Emadi says. "But cannabis spans across every demographic."

A similar change took place behind the counter at Green-Theory, as relationships with vendors have

evolved into a multi-step process. The screening begins with private meetings and product applications, which Emadi admits, can be strenuous. But once a product makes it onto the sales floor, the team is committed to ensuring its success.

"If we bring the product on and it's not working out, then maybe we'll change the display a little bit and try bringing it to the forefront," Emadi says. "If that's not working, then maybe we can book you for a vendor day and get you in front of people's faces. Or we can have you in for a vendor education session to get the team a little more focused on your product and how to sell it properly."

The end goal is to protect both vendors and customers.

"We never want to close our doors to anybody, but at the same we really pride ourselves on having great relationships with our vendors so that we can pass savings down to our customers and have the constant product that they want, rather

than jumping around from vendor to vendor," she says. "We never want to burn bridges because we know that our relationships are everything."

Company: Green-Theory

Location: Bellevue, Washington

Employees: 25

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SAINTS of Tucson

Arizona's first dispensary continues to be an industry leader

By Patrick Wagner

TUCSON, Ariz. — Searching for better opportunities, Rouben Beglarian came to the U.S. from Armenia in 1992 with very little money and English as his third language.

He built a successful granite fabrication business in Tucson, Arizona, before the legislation to permit medical marijuana businesses piqued his interest in 2010.

"It was a new industry," Beglarian says. It was "exciting and getting a lot of press. I had been in the construction industry for 15 years and was looking for something new."

Beglarian entered the Arizona lottery and was selected for a license to grow and dispense cannabis. On Dec. 1, 2012 he opened Southern Arizona Integrated Therapies, also known as SAINTS of Tucson, with his wife Kristina.

"We were the first store to open in Arizona," Beglarian says.

Since opening, the dispensary has nearly tripled in size, from 638 square

feet to just under 1,800. Beglarian built a 5,000-square-foot indoor cultivation facility to supply the dispensary. By producing its own cannabis and avoiding wholesalers as much as possible, SAINTS is able to keep prices competitively low, Beglarian says.

SAINTS currently offers more than 40 strains and a wide selection of edibles, extracts and pre-rolls. Despite the size of the menu, the dispensary's layout keeps the sales floor from feeling cluttered. The sales floor is located deep inside the dispensary — beyond a check-in counter, past a security guard, through the waiting room and behind a locked door. Inside, patients can peruse the uniform rows of product that are carefully positioned in-

side glass cases and along the back wall.

"We wanted a high-end, doctor's office feel," Beglarian says.

The dispensary has received both critical and commercial accolades. Patients, expecting a slow trickle of product from the state's first dispensary, have lauded the selection of products, and press on both sides of the political spectrum praised Beglarian for his professional execution.

Operations manager Susan Crownhart attributes the dispensary's success to the Beglarians' work ethic and careful business management.

"It's such a great success story," Crownhart says. "He had the foresight to think about what would happen if medical marijuana passed in Arizona. They're not Big Pharma. They're not people who have family money or a trust-fund baby. He had to really think about it and save money and strive to make this happen."

Company: SAINTS

Location: Tucson, Arizona

Owners: Rouben and Kristina Beglarian

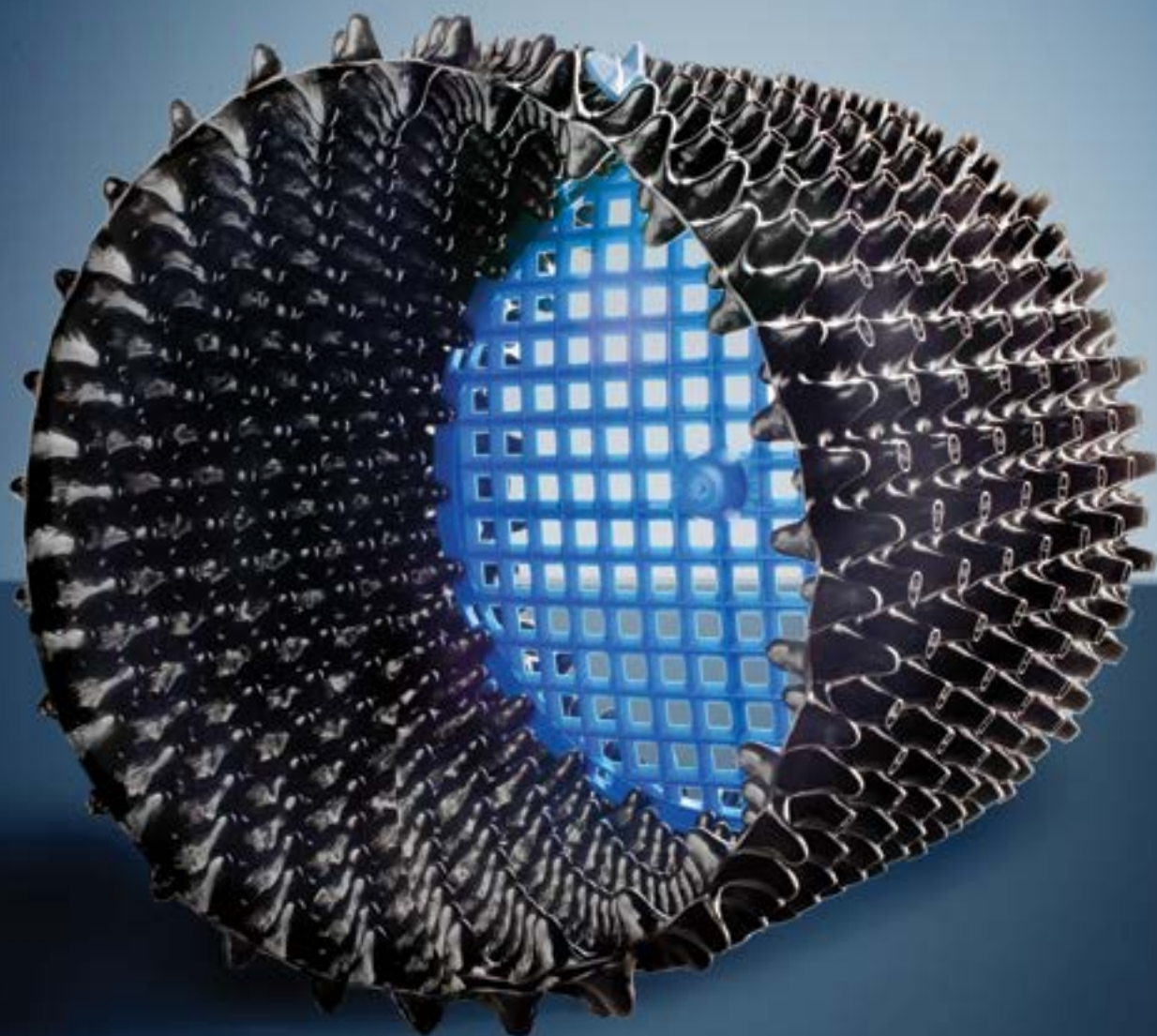
Employees: 18

Operations: Dispensary and 5,000-square-foot indoor grow

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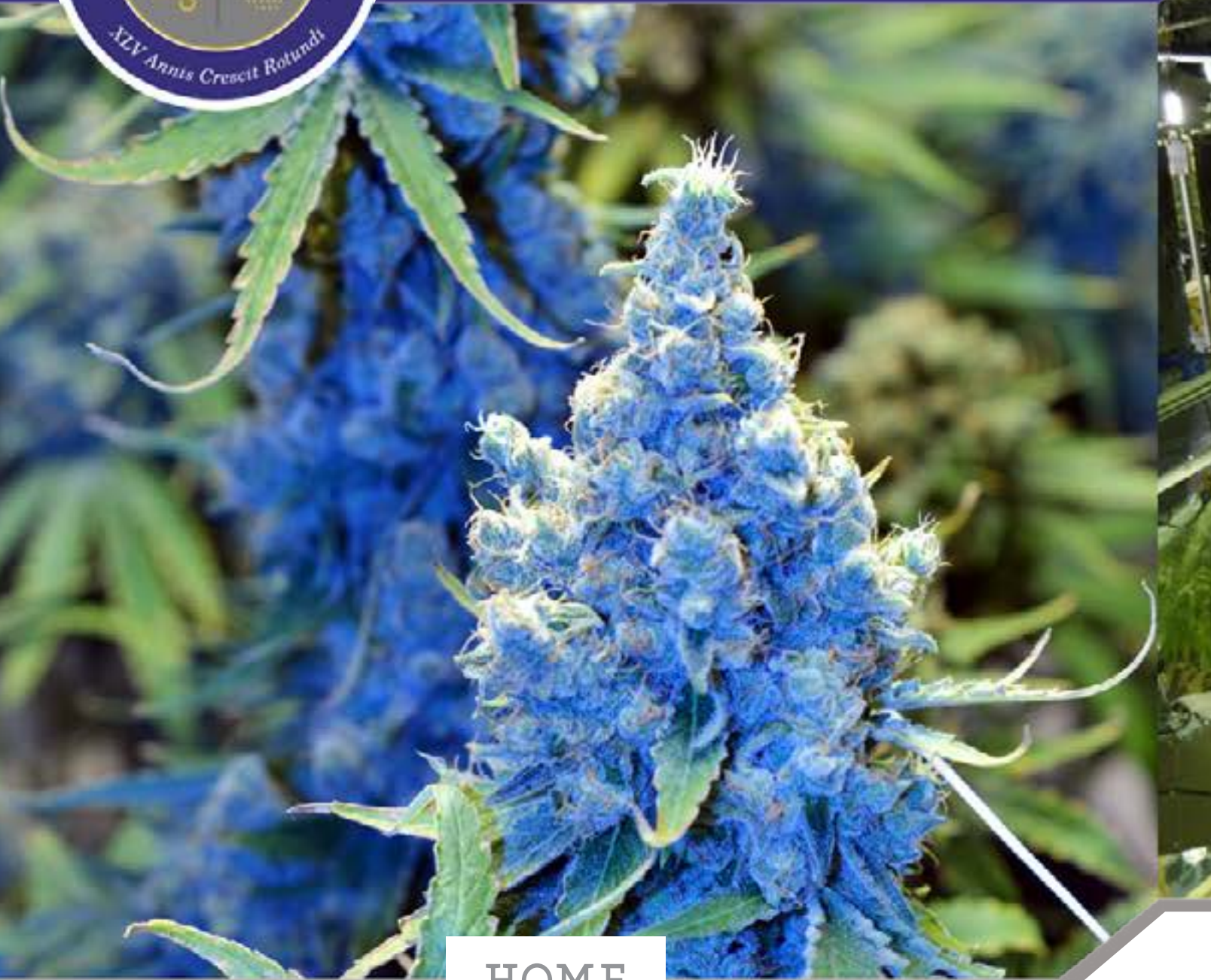
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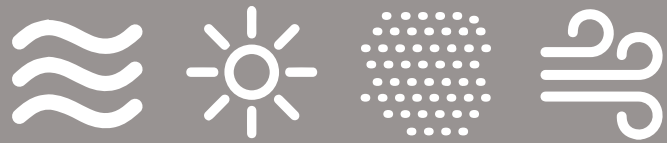
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Hort Americas is the exclusive U.S. distributor of Growracks. The racks are manufactured in Holland for CEA Advisors, which is the designer and exclusive importer.

More information: hortamericas.com.

Zero Tolerance

Growers Supply now carries Ed Rosenthal's Zero Tolerance products, an all-natural line of pesticides and fungicides.

Zero Tolerance products were developed by famed cannabis advocate, writer and cultivator, Ed Rosenthal, who has been known as the "Guru of Ganja" for more than 40 years. He's written numerous books about cannabis cultivation that have sold more than 1 million copies worldwide.

Zero Tolerance pesticide is designed to kill and repel aphids, spider mites, thrips, caterpillars, mealy bugs and mold, and is safe to use within one week of harvest. Zero Tolerance fungicide is designed for growers to address problems with powdery mildew, gray and white mold and black spot, as well as other molds and fungi. It eliminates spores quickly and prevents the growth of future spores.

Both products meet EPA guidelines and are 100% vegan. When used, they evaporate within five days and leave no residue. While Zero Tolerance products were designed for heartier plants with a waxy surface, they can be diluted and used on delicate plants.

More information: www.growerssupply.com.



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Lightbar Series

Based on the input from hundreds of cultivators, Forever Green Indoors is now manufacturing 100- and 185-amp varieties of its new Lightbar Series grow lights.

Developed for early stages of cannabis growth for both indoor and greenhouse production facilities, the LED fixtures are a full replacement for T5 high output, metal halide and high-pressure sodium bulbs. They're lightweight and easy to hang, and the light spectrum is optimized to imitate the sun.

Forever Green Indoors has designed its lights to qualify for utility rebates, so growers can use energy-efficient lighting at a lower cost.

Each fixture comes with a five-year warranty, and they're manufactured in the United States.

More information: www.forevergreen-indoors.com.

Micro420 Pro-Series

The time and money spent on packaging can kill the profit margins of producers and processors operating within state-regulated cannabis industries.

When Chris Helm of Meridian Merchandising heard that growers were packaging individual products by hand, he began looking into automated packaging solutions.

"The labor to package is huge," Helm says. "It takes 16 man-hours to package five pounds into two-gram bags."

Helm and his colleagues spent the next year conducting market research. They reached out to as many producers and processors as they could, asking each company what they needed in terms of speed and accuracy.

All that research resulted in Meridian Merchandising's Micro420 Pro-Series, an automated packaging machine that is capable of weighing, separating, bagging and sealing five pounds of cannabis into two-gram containers in just 40 minutes with a single operator.

Each machine is built for the

customer and customized to meet their regulatory and production needs, and can be outfitted to package everything from flowers to liquids to edibles. One of the customized cannabis packaging machines fills a bag or bottle with cannabis buds every two seconds and is accurate to within .05 grams.

The company is currently building five machines: two for Washington processors, one for an operation in Nevada, one for a Colorado farm and one for a customer in Canada.

"Each different market has different needs and regulations," Helm says.

The Micro420 machines rely on a multi-head scale system to quickly determine weight with impressive precision, Helm says. The machines also feature the technology needed to adapt and stay compliant within the rapidly-changing cannabis market, including a Windows-based touchscreen with 256 memory settings and real-time recording and reporting to seed-to-sale tracking software.

More information: www.meridianmerchandising.com.





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Phoenix Rising

As Alaska's marijuana retail stores approach opening day, a new company is providing training services for future cannabis industry employees.

"These new companies need a locally grown, Alaska-based training resource for their employees," CEO Sara Williams said.

"Team Phoenix is poised to take our extensive knowledge of the Alaskan cannabis industry and help ignite the success of our clients, all with the end goal of a professional cannabis industry that holds consistent employee training standards across the state."

The industry is up and running, and businesses are hiring new employees every day. Phoenix Rising has developed an initial training program that gives employees an in-depth overview of the state regulations.

"This is a brand-new industry and it is a guarantee that all licensees have different interpretations of the regulations," Williams said. "Team Phoenix and our advisory members help these businesses navigate the business landscape of training and development to ensure a consistent standard of professionalism."

More information: www.phoenixrisinginalaska.com.



THC Jobs

THC Jobs now offers candidates the ability to engage with hiring companies anonymously. The online platform delivers job-hunting tools for recent college graduates, entry-level applicants and business professionals.

THC Jobs provides free accounts, educational resources and confidential profiles for those interested in entering the cannabis job market.

The sign-up process is simple and free for applicants, requiring only basic information and a video resume. Users have access to thousands of jobs. Those still hesitant about the emerging cannabis market will appreciate the site's confidentiality and professional employment opportunities.

"Our mission is to assist knowledgeable and enthusiastic professionals with the tools to enter the cannabis industry, as well as further educate our community on the benefits and alternatives that cannabis provides," said co-founder Hector Santa Cruz (right, in the photo above).

More information: thcjobs.com.

WebJoint

In preparation for recreational cannabis legalization, WebJoint is offering free website software to California's marijuana growers. WebJoint's cannabis software is making it easier for growers and dispensaries to track their products and comply with state regulations.

The WebJoint software is free to cultivators, but it's also available on

a monthly subscription for point-of-sale retail. Just as WordPress helps millions of people create their own websites, WebJoint's user-friendly design template makes it easy to create websites that include all the necessary elements to track and document sales.

WebJoint CEO Christopher Dell'Olio has high hopes for the software platform as California's industry moves to-

ward a regulated model.

"WebJoint currently has over 60 retail dispensaries and delivery services operating their websites on the software in California alone," Dell'Olio said. "We also plan on launching our grow software in a few weeks that will allow marijuana cultivators to track their entire operations and maintain reporting and compliance."

More information: www.webjoint.com.

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RED RABBIT EXTRACTOR

StarStrike Stainless has developed an industrial-scale, relatively inexpensive extractor made to turn trim, leaves and other less desirable parts of the cannabis plant into valuable concentrates.

The Red Rabbit Extractor uses ethanol, heat and gentle agitation to process oil from up to 12 pounds of plant material per load. Food-grade ethanol is a powerful disinfectant that kills mold, mildew and bacteria and leaves no trace chemicals behind after it's evaporated. The machines are constructed of industrial stainless steel to make them both rugged and reliable.

The machine was developed in conjunction with Reynold Greenleaf & Associates, a medical marijuana consultant and grower.

"The Red Rabbit Extractor is a game-changer for the cannabis industry, producing excellent, potent, clean ethanol tincture and finished whole plant oil in sufficient quantities to satisfy market demands," said J.C. Romero, the chief science officer from Reynold Greenleaf.

The extractor produces as much as 14 gallons of super-saturated ethanol tincture per load. Super-saturation is accomplished using a two-step wash process over several hours. When finished, the tincture is filtered and transferred into the ethanol recovery unit or it can be used directly after filtering.

The extraction process typically yields 80-100 grams of whole plant oil per pound of trim depending on the plant material. Testing has shown total cannabinoid content can run as high as 65% in the final output oil.

The cannabis oil can be used in edibles, balms and ointments, or as an additive to other plant-based products. The plant oil can also be fractionally distilled into ultra-pure, high-quality oils.

StarStrike Stainless is a New Mexico-based company that specializes in industrial stainless steel design and engineering. It focuses on custom stainless steel applications, botanical extraction equipment and beer brewing vessels.

More information: www.starstrikestainless.com.

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THE CANNAGIN 215

GreenBroz, a leading manufacturer of cannabis trimming machines, recently unveiled its newest innovation in harvesting technology, the CannaGin 215. Specifically made to speed up the early steps of the harvesting process, the CannaGin 215 gently removes buds from branches so they can be trimmed.

The process is simple: Place the CannaGin 215 atop a waste collection receptacle with a bin positioned in front of the machine to collect the harvested flower. Use the dial to calibrate the machine's engine speed. After removing the top cola from a selected branch, feed the base of the branch through the front of the machine, which efficiently separates flowers from the stems and branches. Collected flowers will tumble into the collection bin, while processed stems fall into the waste receptacle.

The CannaGin 215 can process either wet or dry cannabis and can be calibrated to handle any strain. The machine is capable of processing up to four stems at once, fed from base to top. The best results are produced with branches that are at least one foot in length. The de-stemmer is capable of running from 0-80 revolutions per minute. The CannaGin can also run in reverse in order to untangle a jammed branch.

The CannaGin 215 is made from stainless steel and food-grade high-density polyethylene (HDPE), a type of plastic that cannot resist microbial or bacterial growth to ensure a clean processing facility for growers.



Each unit comes with a rear shroud to guide the bare stems downward into a waste receptacle for easy cleanup. After being processed, the collected stems can immediately be used for composting.

The CannaGin is designed to complement the entire line of GreenBroz machines, including its dry trimmers and the Alchemist 215, a dry-sift, solvent-free trichome extractor.

More information: www.greenbroz.com.

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Ask The Grow Expert

by Mike Long

H2O - Too Much or Too Little

Dear Mike: Our 502 is plagued with inconsistent results. When I checked on the watering and nutrients, our grower was using full strength dilutions 3 times a week. He doesn't think that is a big deal. What is the truth here?

A: Watering **IS** a big deal. Overwatering is one of the top 5 cannabis growing problems. Firstly, you should wait until your plants are approx. 70% dried out before you water again. On your next watering, soak them thoroughly until you see water coming out of the bottom. This is really 'saturation' time. Wait an average of 2 days. If your soil isn't dry, your soil is too dense or you have poor drainage. Frequent over watering will cause root problems. Every 'grow' is different – soil, humidity, ventilation, drainage etc. all enter into the equation. If you water too frequently, plants are sitting in stagnant water – often with insufficient drainage. The leaves will droop and curl, and your plants will often show other signs of nutrient problems such as yellowing.

You have two problems. First, back off on the watering. Don't water until the top inch or so of the grow medium is very dry. Try lifting up the pot and get used to how heavy it is. You may have water trapped in there because of blocked drainage.

The next big problem of the 'Top 5' is exceeding your nutrient level. Plants don't have that luxury of flushing out excess nutrient. The labels on your nutrients are whatever the 'legal minimum' is for labeling. For normal agricultural products, they don't know whether you are growing bed lettuce or 200 lb pumpkins. The ratio is always the **MAXIMUM** dosage, and it is based on a once per week cycle. Your guy may well be tripling the maximum dosage of your nutrient by adding it to every watering cycle. Most hydroponics growers have it correct because they have meters, but we see the soil and the cocoa growers with over the top nutrient levels which usually results in a poor crop. Start at 50% of the dosage suggested on the label. Here is simple math – if you water 3 times a week, do a half dosage the first time. No nutrient dosage on second watering. For the third watering, use a half dosage again. Now you are a full dosage spread over 3 cycles in one week (average cycle for a 5 gallon pot). Remember, those labels are small and there is regulatory information that must be printed. They simply don't have the space to get carried away with instructions. Work your way up from that 50% dosage slowly, monitoring your progress – and with less water. You'll discover where your optimal level is, and you can back it off to that for long term best results. Either have one well trained guy doing all of this, or maintain a check list and procedure chart that is followed religiously by everyone. Last but not least, every strain of cannabis has a unique watering/feeding regimen. Experiment carefully, document thoroughly, and live by your results. Your livelihood depends on it!



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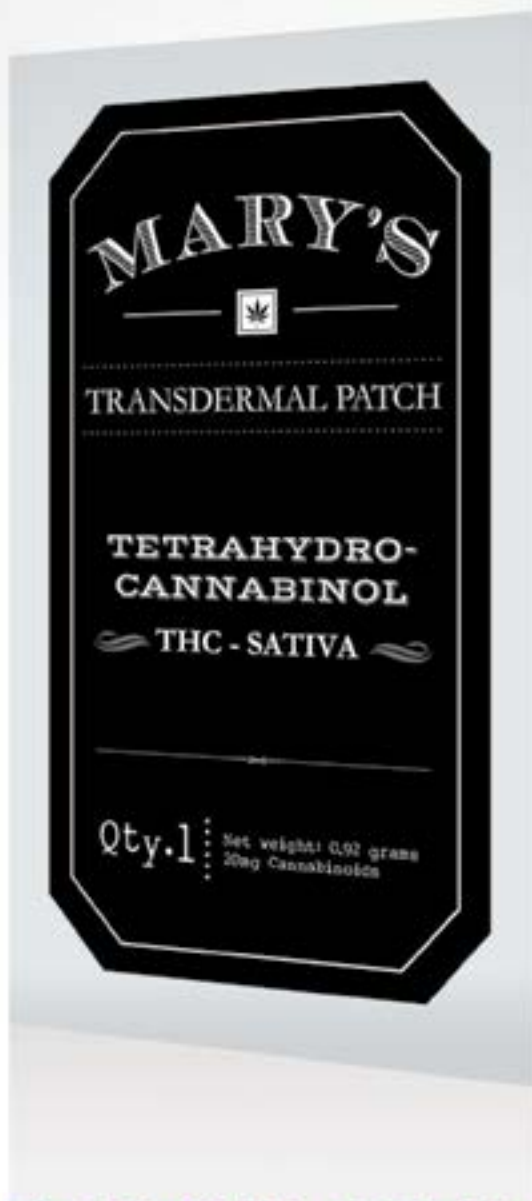
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Inside one of the Northwest Cannabis Solutions flower rooms, an employee wheels a cart with plants into place.



Setting the GOLD Standard

Northwest Cannabis Solutions is the benchmark for state-of-the-art growing in Washington

By LAEL HENTERLY



Housed in a pair of nondescript warehouses in Thurston County, Washington is a cannabis company with global ambitions and the most year-to-date revenue in the state.

Northwest Cannabis Solutions was born during a conversation between co-founders Leo Gontmakher and Vlad Orlovskiis. From the beginning, they set a goal of creating the premier cannabis production and processing facility in the world. So far, they ap-

pear to be well on their way to achieving the goal, having generated more than \$20 million in less than two years of operation.

The son of a wealthy seafood distributor who at one time was importing well over \$100 million in Russian king crab into the U.S. each year, Gontmakher grew up watching his father navigate a global business in a highly regulated industry. The skills he mastered during his time as an in-

sider in the seafood distribution business are a good fit for the challenges of the nascent cannabis industry, Gontmakher says.

“I’m a strong believer that cannabis is headed toward national, and potentially global, legalization, and I wanted to take on the challenge of developing a business within the industry,” he says.

To do that, the company assembled a multi-talented team tasked with

Clint Richmond concentrates on pouring liquid candy into a mold in the NWCS kitchen. Top right: molten cannabis-infused candy is measured with a thermometer. Bottom right: Jerry Derevyanny leads a tour group through the NWCS facilities.




building the world's premier cannabis facility.

The state-of-the-art NWCS facility was up and running in February 2015. Within six months, the company had established itself as one of the top-selling edibles manufacturers in the state with more than half a million dollars in revenue in July 2015.

As NWCS has ramped up production of its entire line, including edibles, flower, concentrates and more,

I'M A STRONG BELIEVER THAT CANNABIS IS HEADED TOWARD NATIONAL, AND POTENTIALLY GLOBAL, LEGALIZATION



IMPLEMENTING THAT TEAM MENTALITY FROM THE START IS A MAJOR FACTOR IN THE SUCCESS OF ANY BUSINESS

revenue has continued to skyrocket. In September 2016, NWCS booked over \$2.2 million in sales, more than doubling its sales for the same period a year earlier.

At the moment, the company is focusing on consistently producing top-quality products that meet customers' needs, Gontmakher says. In the long run, he wants to build national brands that will someday move into other states as legalization opens new markets.

Providing Washington consumers with products that are of the highest quality and best value has always been central to NWCS' mission.

The team includes about 150 employees, many of whom grew up together. It's a group of people who are passionate about their work, and often espouse the phrase, "Teamwork makes the dream work," Gontmakher says.

"Implementing that team mentality from the start is a major factor in the success of any business, but especially a brand new business in a brand new industry like ours," he adds.

STATE-OF-THE-ART

The impressive NWCS facilities are split between two warehouse buildings: a 70,000-square-foot production warehouse where a constant supply

A Cherries Jubilee clone and its tiny root structure.



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NWCS employees wear white Tyvek suits to limit any possible sources of contamination.

of cannabis is grown, harvested and trimmed, and a 40,000-square-foot space dedicated to churning out retail-ready products.

Inside the grow warehouse, a frenzy of workers in white lab suits buzz around the spacious interior.

Tailor-made for NWCS, the production warehouse features a mezzanine and 44 grow rooms to maximize its 30,000 square feet of allowed canopy. It's a unique grow style that leaves no room for gardeners to walk between rolling carts that house cannabis plants being grown in soil. For watering and daily maintenance, each cart is wheeled into the middle of the open warehouse where a small army

of white-suited workers manicure the live plants and hand-trim harvested flowers.

Nearby, the company's processing warehouse houses two commercial-grade kitchens, state-of-the-art extraction facilities, quarantine and storage rooms, offices and a massive assembly line to package, box and ship products to more than 200 retail partners throughout Washington. Like a Costco warehouse, walls are lined with steel shelving to organize the mass quantity of raw food materials that are used for edibles.

The cutting-edge extraction lab is decked out with Cascade Tek vacuum ovens. NWCS uses both an Extraction

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Tek butane extraction machine and an Eden Labs CO2 extraction machine, as well as Heidolph distillation units and rotary evaporators.

All of the NWCS oils are winterized with 200-proof ethanol to achieve an extra-high grade of purity.

The commercial kitchens process a staggering volume of supplies each month, though Gontmakher says he'd prefer not to say exactly how much. NWCS uses "pallets and pallets" of sugar, flour and raw chocolate each month, Gontmakher says. In addition to the number of employees needed in the kitchens, they also require a lot of maintenance.

It takes a lot to power the sprawling campus — together, the two buildings consume an average of 35,000 kilowatt hours each day from Puget Sound Energy, making them among Thurston County's top electricity consumers.

BUILDING THE BRAND

Northwest Cannabis Solutions already has several established retail product lines that are available at hundreds of retail stores in Washington. Its products are targeted at users across the spectrum and include everything from concentrates to flower to tantalizing baked goods. There's the well-known edibles line Magic Kitchen, which features cookies, chocolates and the top-selling Pebbles hard candies.

The company's single-use EZ Vape pens are available with both CO2 and BHO extracts, as well as a high-CBD version. NWCS also manufactures the Evergreen vape pen with a changeable



Top: Douglas Johnson, who works in the NWCS extraction facility, stands in front of the company's Eden Labs machine. **Middle:** Some harvested flowers are trimmed by hand, while others are fed through machine trimmers (bottom).



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A look at NWCS' two-tiered grow facility: High-pressure sodium lights radiate from one of the flower rooms, while wheeled carts are prepared for the next round of planting.



NWCS produces three levels of flower, including the mid-grade “Legends” line and the top-shelf “Private Reserve” brand.

cartridge. Other successful products from NWCS include THC and CBD capsules sold under the Lotionz Positionz brand.

When it comes to competition, there aren't many companies in Washington that rival NWCS. Since August 2015, it's been one of the top two producer/processors every month in revenue, trading places back and forth with Spokane Valley's Grow Op Farms.

Both companies generated more than \$2 million in both August and September, according to the latest data available. NWCS holds a slight edge in year-to-date sales at just

under \$15 million, while Grow Op Farms is close behind at more than \$13 million. No other company has generated more than \$6 million in 2016.

However, Gontmakher says his company focuses more on its growth by improving products and streamlining its internal processes, rather than paying attention to what the rest of the industry is doing.

“There are a bunch of great companies that are making good products that we have to compete with and just knowing that drives us to never get complacent and keep an underdog mentality,” Gontmakher says.

Just *the* FACTS

COMPANY:

Northwest Cannabis Solutions

LOCATION:

Olympia, Washington

EMPLOYEES:

About 150

LICENSE:

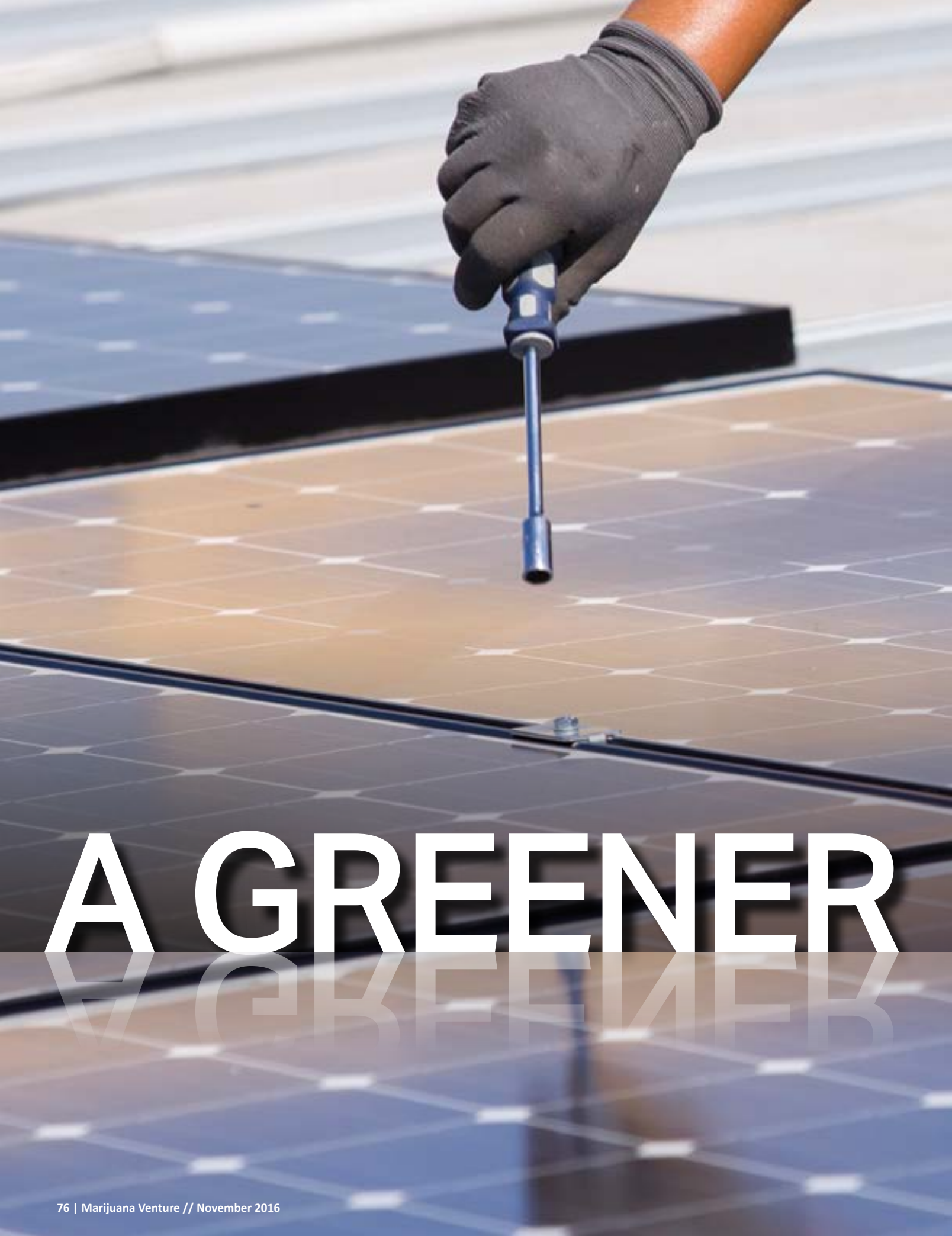
Tier 3 producer/processor

POPULAR PRODUCTS:

Magic Kitchen edibles,
THCaps, EZ Vapes,
Evergreen vaporizers

WEBSITE:

www.nwcs425.com



A GREENER



INDUSTRY

Two Colorado companies
take steps to reduce their
carbon footprints

By OLIVIA MANNIX



Mary Jane's Medicinals uses cannabis that's grown sustainably by Heartland Industries in greenhouses.

It's no secret that the cannabis industry is growing quicker than the plants themselves. As cultivation facilities develop and expand across the country, energy consumption in states like Colorado and California are on the rise. Keeping the cannabis industry green is a challenge in itself, and it's important for brands to start thinking about how to minimize their carbon footprint. Consumers are becoming more and more conscious about their own environmental impact with the products they choose. Brands that are actively working toward sustainability will be the ones that will rise to the top.

Industry in general has been a significant burden on the climate. But cannabis companies can make the decision to minimize their carbon footprint from their inception. If cannabis businesses can collectively work together to become a truly green industry and reduce their carbon footprint, it will increasingly improve the political position of the plant itself.

Under the critical lens of government and media, Colorado has been setting standards at the forefront of the cannabis legalization movement. This not only applies to the cultivation and manufacturing of cannabis, but also to the marketing and public perception of the plant. It is important for new cannabis companies to lead by example with regards to the long-term sustainability of this new industry.

Two Colorado companies in particular are leading the way with sustainable, environmentally friendly approaches: Verde Natural and Mary Jane's Medicinals.

Verde Natural is a vertically integrated company that grows medical-grade cannabis for its retail store in Denver and also supplies cannabis wholesale to other retailers. It's taken several progressive steps to stay green.

- Verde Natural uses a unique grow process that substitutes pesticides with an all-organic formula. Rather than using wasteful fertilizer (which typically gets

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Greenhouse production is far better for the environment and uses less energy than comparable indoor grows.

disposed of after the nutrients are absorbed by the plants), Verde Natural recycles its biologically active soil. It's able to save 1,500 cubic feet of soil per month this way.

- Verde Naturals composts 85% of its waste and encourages patients to refill or recycle used containers with a drop-off bin at the store.

- For every pre-packaged ounce of flower sold, the company donates \$1 to plant one tree.

- Verde Naturals installed 50,000 square feet of solar panels above its grow facility to offset approximately 25% of its energy consumption.

Mary Jane's Medicinals also follows an all-natural path to sustainability. Owner

Dahlia Mertens founded the Telluride company, which manufactures a wide range of products from lip balms to body lotions. It

is best known for its award-winning healing salve which patients rave about for pain relief and other medicinal needs.

Mary Jane's has a medical and recreational soil-based grow operation which uses completely organic grow methods.

"All of the ingredients in our products are all-natural," Mer-

tens says. "We use a lot of organic ingredients as well. When you read our ingredient list, you know exactly what everything is. It is one of the cleanest products on the market with absolutely zero chemicals."

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Verde Naturals has installed dozens of solar panels on its roof to offset the cost of electricity. *Photo by Dan Curtis.*

Mertens' grow facility is not large enough to supply all of the company's needs so she sources additional cannabis from a large organic greenhouse operation in Pueblo that conserves electricity

by utilizing natural sunlight.

"Pueblo County regulations for grows make it much easier for these larger outdoor grows and the growing environment is better there too," Mertens says.

Mary Jane's Medicinals also recycles all of its materials and reclaims its soil.

"We are in the process of transitioning to all biodegradable plastics in the next few months as well, which I am really excited about," Mertens adds.

Despite dozens of companies calling themselves "green," there are no government regulations to mandate environmentally friendly procedures within the cannabis industry.

Olivia Mannix is the co-founder and CEO of the award-winning marketing agency Cannabrand. She founded the agency with her partner in 2014 to re-brand cannabis. Mannix has been an advocate for legalizing cannabis and is passionate about marketing it. Her expertise includes cannabis products, public relations, consumer insights and the unique cannabis marketing laws and regulations.

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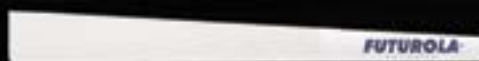


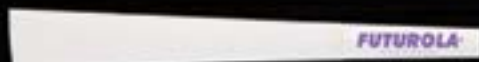
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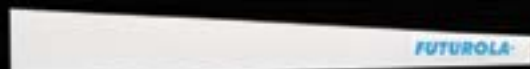


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NEW YORK EXPANDS MEDICAL PROGRAM

Although still one of the most restrictive programs in the country, New York will add licenses for five additional retail and cultivation businesses

By LAUREN RUDICK

New York's medical cannabis program has finally been expanded, but the reviews have been mixed. On one hand, any expansion that increases patient access to one of the country's most restrictive medical cannabis programs is a victory. On the other hand, the program still falls short of meeting patient demand, particularly in view of progressive and expansive medical cannabis programs across the country.

New York's Compassionate Care Act requires the state Department of Health to issue two-year reports to the governor and Legislature on the medical use of

cannabis, and to make appropriate recommendations for changes. In its first two-year report since the law was enacted in 2014, the Department of Health is-

sued the following 12 recommendations, which were all signed into law by Governor Andrew Cuomo in September.

- In addition to physicians, nurse practitioners may now register to certify New Yorkers for medical cannabis, consistent with their current authority to prescribe opioid medications for those patients diagnosed with qualifying medical conditions under the Compassionate Care Act.

- Under a two-year, phased-in approach, five additional vertically integrated organizations will be registered to grow, process and sell medical cannabis (in addition to the five registered organi-

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“HOME DELIVERY SERVICES FOR MEDICAL CANNABIS WILL BE PERMITTED

zations currently in operation).

- Home delivery services for medical cannabis will be permitted.

- The Department of Health and the registered organizations will work together to make additional brands and strains of medical cannabis available to patients. Prior to this enactment, registered organizations were permitted to produce and sell only five strains.

- The Department of Health will explore ways to make it easier for health care facilities and schools to possess, secure and administer medical cannabis in a restricted manner that promotes and safeguards the health of registered patients.

- General amendments to the Compassionate Care Act will be added with respect to streamlining manufacturing requirements and broadening advertising capabilities of registered organizations.

- The Department of Health will conduct outreach in an effort to remove federal restrictions and impediments to scientific research on the benefits of medical cannabis, and to improve the

registered organizations' access to traditional banking relationships and financial transactions.

- The Department of Health will decide whether to include chronic intractable pain as a qualifying medical condition. The department will continue its efforts to identify and acknowledge evidence supporting the inclusion of additional qualifying conditions.

- Enhancements to the practitioner, patient, and caregiver certification and registration system, including the Medical Marijuana Data Management System, will be made.

- Independent testing laboratories will apply for ELAP (Environmental Laboratory Approval Program) certification to meet increasing demand for the quality assurance testing.

- The financial hardship waiver for the \$50 patient and caregiver application fees will be expanded.

- The practitioner registration process will be streamlined and enhanced to make it easier and to incentivize practitioners who seek to register with the program.



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Prior to the new program expansion, New York producers were limited to just five strains.

Furthermore, the Department of Health will explore new ways for patients to find registered practitioners, including publishing a list of consenting practitioners who have registered with the program. The department will also develop a method for practitioners to be listed publicly,

as well as outreach to ascertain whether current registered practitioners are willing to be listed publicly.

These enhancements are a step toward improving patient access to medical cannabis in New York. Kate Hintz, the organizer for the non-profit organization Compassionate Care New York, agrees.

"I am really pleased with the recommendations proposed in the Department of Health's report," Hintz says. "If implemented in a timely manner, (the recommendations) have the ability to give New York's program the boost it needs by serving more patients."

Because New York encompasses among the largest municipal and regional economy of any state, it's possible that a productive medical cannabis program would shape and influence legalization on a national level.

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.

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Rick says. "We love the business and have had a super fun time growing it and seeing the fruits of our labor result in a big base of happy customers."

Rick's store and compound are located in Ephrata, Washington. The business is now doing about \$100,000 per month revenue and

steadily growing. He loves his customers, and they love him.

"I have had so much fun doing this and being a pioneer," Rick says. "However, I'm over 65, and ready to retire. I'd love to find someone as passionate about this business as I am, and let them take over serving the community."

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FROM DIRT TO



Using the SCROG method of cultivation, Techbud expects a harvest of about 1,200 pounds of cannabis this year — a big improvement over last year's crop when the company was licensed late in the planting season.
Photo by Byron Miller.

DOLLARS

After a year of learning, Byron Miller has significantly improved operations

Story and photos by GREG JAMES





Clockwise from the top left: Techbud owner Byron Miller works in the garden; a visitor checks out the farm during the summer; Techbud's top strains include ATF, C-Train and Afgoo Berry.



Byron Miller, the managing director of Techbud LLC, got an unexpectedly late start to the cannabis growing season in 2015. After obtaining his license in June, he barely managed to have plants in the ground at his north-central Washington farm before July 1. Miller feared his entire crop would consist of stunted plants with low THC levels.

As luck would have it, while his production numbers never reached their full potential, the overall quality of his crop was quite good, and the majority of his

various strains reached about 20% THC.

His total output wasn't exactly a bonanza, but Miller was happy to have produced more than 500 pounds of good flower. While the 2015 Techbud crop didn't make Miller rich beyond his wildest dreams, it did generate enough revenue to pay his bills and get him through the winter and into the 2016 season.

He also had the good fortune to meet Terry Taylor, an experienced farmer and the managing director of the Sunflower Farm in nearby Brewster.

"Terry swears by a horse manure and

native soil combination, and consistently grows plants that yield five to six pounds of bud," Miller says. "I've been growing indoors for years, but successful outdoor production requires some special skills and techniques that indoor growers often don't understand. So I was all ears when it came to advice from an experienced rural farmer who knows how to maximize production."

IMPROVING OPERATIONS

Fast-forward to the spring and summer of 2016, and Miller's crop had a decid-



edly more vigorous appearance. Instead of planting late, Miller put plants in the ground early and fortified his soil with a commercial mix of horse manure and mulch.

Taylor happily relayed several pointers to Miller, including how to select the right size auger for his tractor, and a method of creating holes in the native soil that promoted natural expansion. This allowed Miller's crop to grow out as well as up.

Another of Taylor's proven techniques is the screen of green (SCROG) method, using a metal trellis that trains the plants

**SUCCESSFUL OUTDOOR
PRODUCTION REQUIRES
SOME SPECIAL SKILLS
AND TECHNIQUES**

Miller poses for a photo with Marijuana Venture sales manager Lisa Smith (left) and Hemp Ace principal Joy Beckerman (middle).





to grow low and wide. It maximizes solar penetration while mitigating any potential damage from the strong winds that occasionally wreak havoc in the Okanogan Valley.

"I learned a lot of outdoor techniques from Terry that boosted my productivity," Miller says. "He even had me install a golf course-style sprinkler that we use once a week to supplement the drip irrigation system. Terry believes that traditional sprinklers more closely mimic rain, and therefore promote horizontal root expansion, which leads to bigger, healthier plants."

Miller, who hails from Seattle, but has made the small town of Omak home for the last three years, is quick to point out that help from people like Taylor has been invaluable.


"Like most city folks, I'd heard about the country farmer ethic of neighbors helping each other and passing on valuable tips on agricultural best practices," he says. "I guess I never dreamed it would be so pervasive and common in real life, and I'm just amazed at how helpful the sun-grower community has been."

Early on in his cannabis venture, Miller also made friends with legendary strain guru and medical marijuana advocate Michael "Buffalo" Mazetti. Their talks led to a collaboration in which a section of the Techbud canopy would be dedicated to proven CBD strains like Harlequin and Charlotte's Web.

"Buffalo is a big believer in the benefits of medical marijuana, and together we decided to put aside a section of the farm that we dedicated to the cultivation of marijuana for those who need medicine," Miller says.

Their hope is that as the market for legal marijuana expands and matures, there will be an ever-increasing number of consumers who will ask for high-CBD strains that are stocked for their intrinsic therapeutic value, and not just their mind-altering qualities.

Looking at the difference between his 2015 and 2016 crops, it's clear that Miller's work has paid off with massive improvements in both quantity and quality. His sea of healthy green plants marks a beautiful contrast to the deep blue skies of north-central Washington, and his production techniques have obviously taken a quantum leap forward.



Just *the* FACTS

COMPANY:
Techbud

OWNER:
Byron Miller

LOCATION:
Omak, Washington

LICENSE:
Tier 3 producer/processor

EMPLOYEES:
Six during harvest

GROW MEDIUM:
Native soil from the
Okanogan Valley

CROP:
About 850 plants

EXPECTED YIELD:
1,200 pounds

TOP STRAINS:
Afgoo Berry, C-Train, ATF,
Washington Cookie

Techbud has partnered with several fellow Okanogan Valley producers to market flower under the Pineapple Plantation brand.

A FARMERS CO-OP

What Miller lacked in outdoor farming experience, he made up for with his strong connections to the Washington retail community on the west side of the state. A natural partnership developed within the cannabis growers of north-central Washington.

It became apparent to Miller that the local cannabis farmers knew a lot about cultivation and had major advantages when it came to production economies. However, those same factors that gave them a leg up in the cultivation of marijuana were a disadvantage when it came to bringing the product to market. Miller understood that the 250-mile trip to major retailers in Seattle cost the company more than just the five hours of driving time.

“What appeared to be happening was that even the bigger growers over here were unable to maintain good, steady relationships with the main consumer markets because of the inefficiencies and problems in the transportation and distribution of product,” Miller says.

After some discussions, several Okanogan County growers formed a cooperative that would jointly market high-quality, outdoor-grown flower under the Pineapple Plantation brand this fall and winter.

“It seemed like a no-brainer to me,” Miller says. “Cattle ranchers do it, apple orchardists do it, and just about everyone in the ag world figures out how to work together to reduce costs.”

Retailers, by their very nature, want to reduce, not expand their vendor base. A co-op makes sense because it allows farmers to be farmers, and reduces all the time and money required to run a distribution business — “something most marijuana growers are simply not very good at in the first place,” Miller says.

“It’s never made sense to me that 600 growers could expect to get their products into retail outlets.”

The growers co-op may not be a unique idea in the world of traditional ag production, but it indicates a potentially interesting and forward-thinking development in the rapidly evolving legal marijuana marketplace.

EDITOR’S NOTE: This is a follow-up to a story published in the January 2016 issue of *Marijuana Venture* titled “Dirt Weed” that profiled Byron Miller and his farm. In 2015, his crop was grown on a shoestring budget and planted in 100% untreated native soil, hence the article’s title.

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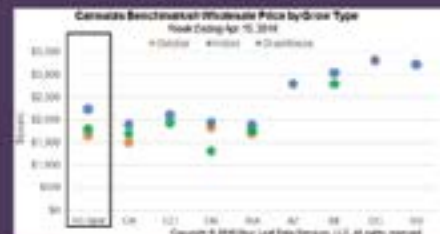
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The Business of

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Plethora of consumer options make edibles one of the fastest growing categories in the cannabis industry

By **SUE VORENBERG**

In the world of cannabis, flower has long reigned as king. But a relative upstart, in the form of edible products, is on the rise.

In both Colorado and Washington, edibles are among the fastest growing sectors of the industry, with innovative products like drinks, chocolates, tinctures, mints, hard candies, caramels, crackers and even breath strips appearing on the scene. Consumers are flocking to the products because of easy-to-control dosing, and because they're a viable and more discreet alternative to smoking, says Chuck Smith, COO and CFO of Dixie Elixirs, one of the industry's largest edible companies with operations in five states.



LES

“Certainly the cannabis industry has historically been built on consuming marijuana through smoking,” Smith says. “That’s why flower has been in such a dominant position. But as the industry becomes more mainstream, you don’t see people walking down the street smoking — because it’s illegal, but also because of the same reason you don’t see them smoking cigarettes. That’s just not what people really do anymore.”

Edibles are easy to hide from the public eye, and a trend toward low-potency varieties have made the cannabis experience much easier for consumers to control, he says.

“It’s very easy to manage the dosing

for edibles,” Smith says. “If you take a five-milligram mint, you know there’s five milligrams of THC in there and you won’t be getting an experience you don’t want. Much like if you drink a glass of chardonnay, you know what it’s going to do to you. So low-dose edibles become a very comfortable, predictable experience.”

Consumers are only just starting to understand what the various products are and how they work. And as consumers become more educated, they grow more interested in using edibles as a flower alternative, says Tom Jones, director of analytics for BDS Analytics.


“Edibles are growing at a faster rate

than flower, definitely in Colorado and I think Washington will get there soon as well,” Jones says.

In Colorado, for the first half of 2016 (January to June), edibles sales grew 54% compared to the same period in 2015. Flower over the same time period grew just 17%.

Still, edibles make up a smaller percentage of the Colorado market than flower. The category had 12.3% of the market share in the first half of 2016, up from 10.8% for the same period in 2015.

Flower’s market share, in comparison, moved from 65.4% in 2015 to 56.5% in 2016, he says. And concentrates, which are also becoming increasingly more pop-



Zoots Lemon Basil Bomb



INGREDIENTS:

1 tablespoon simple syrup
2-3 large basil leaves (ripped into pieces)
Ice cubes
Juice of small lemon
1 teaspoon Lemon ZootDrops (contains 10mg THC – adjust as desired)
Soda water

DIRECTIONS:

Muddle simple syrup and basil in a glass. Add ice. Stir in lemon juice and ZootDrops. Top with soda water. Garnish with a twist of lemon. Enjoy.

For more Zoots recipes, check out www.zootology.com/mixology



Matt Ross tends to Americanna's gardens.

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ular with consumers, went from 16.4% in 2015 to 24% in 2016.

In Washington, for the period from January through May 2016, edibles sales grew even faster — a 76% growth compared to the same period in 2015. But flower and concentrate sales also grew significantly. Flower sales increased by 86% over the same time period, and concentrates grew at a whopping 260%.

“Because Washington started out so small, for a while everything was just exponential growth,” Jones says. “Those numbers have slowed a bit, but not that much.”

Edibles market share in the same time-frame actually shrunk in Washington, from 11.3% in 2015 to 9.3% in 2016. Flower’s market share also dropped, from

72.9% in 2015 to 62.1% of the market share in 2016.

The rise of concentrates, much like in Colorado, is likely responsible for that, Jones says, adding that concentrates’ share rose from 11.9% in 2015 to 19.9% in 2016.

“Flower is still king, but it’s been trending downward and it will continue to trend downward,” Jones says. “It will likely fall below 50% (of the market share) sometime in the next year.”

So far, the edibles sector is small, and the industry is still new enough that consumers haven’t picked a dominant edible variety, which leaves plenty of room for new ideas and new business models, Smith says.

“As this industry continues to mature

and smart people continue to come into it, you're going to have more and more innovation," Smith says. "You'll see more products that we haven't even started to think about."

THE INDUSTRY LEADER

Dixie Elixirs, founded in 2010, has a vast array of products in its edible lineup.

The Denver company began in the medical sector selling a line of drinks under the Dixie brand. But with the launch of recreational cannabis, and expansion into new markets in California, Arizona, Nevada and Oregon, the company expanded its lineup to give consumers more op-

tions, Smith says.

"The product variety in our portfolio, we call those delivery systems," Smith says. "We have everything from low-dose mints, drinks, chocolates, topicals, a vape line and a lot more. As we built the Dixie brand, we really wanted to serve a broad consumer and be sort of like a PepsiCo, which is Pepsi, but also owns the Frito Lay line. So with us, consumers can start with a drink, but if they look down our line, they'll see a variety

of other products to try."

The company aims to be good at everything it does, but some categories are clearly more dominant, Smith says.

Dixie drinks, mints and the company's Synergy drink line of balanced CBD and THC are doing very well, he says.

Other areas, like the company's chocolate line, are growing more slowly. Those products are not as well-known as manufacturers like Bhang, which makes nothing but chocolate and is Colorado's dominant brand in the category.

"We think we can compete because customers will look at Dixie and see a portfolio of things," and if people are already fa-



Edibles for Pets?

Cannabis business owners may see pet care products as a wide-open market to increase sales, but regulations and uncertainty make it a hazardous opportunity

By Sara Demianycz

Americans spend more than \$60 billion annually on their pets. As cannabis becomes more widely accepted as medicine, it's natural that some people have begun to consider the market for cannabis-based medicines for pets.

A wide variety of products targeted toward pets have already been introduced, from treats containing CBD to whole-plant tinctures. Due to the huge pet care industry and potential for increasing revenue, dispensary owners might be tempted to stock these products. However, the potential legal implications, coupled with a lack of understanding of pets' needs,

make this a risky investment.

For thousands of years, cannabis has been used to treat illness in humans and animals. In Ancient Greece, a poultice made from cannabis was used to treat a variety of ailments in horses. As recently as 1920, a tincture made from cannabis was used to alleviate the pain associated with colic in horses. This treatment was administered with the full support of the American Veterinary Association. However, when marijuana was officially outlawed, these treatments lost support from the AVA.

Currently, anecdotal evidence about the medicinal value of can-



Craft Elixirs emphasizes local products to create its cannabis-infused edibles, including Washington apples, a variety of berries and Theo Chocolate.

Grizz relaxes in the sun at Lady Buds Garden Club in Chelan, Washington.



nabis for pets is widely available, and cannabis has been used to treat many of the same ailments in pets as in humans, such as epilepsy, cancer and chronic pain. Yet, research is not being conducted on cannabis for animals and no states currently allow veterinarians to prescribe or recommend cannabis. Therefore, cannabis products for pets do not have the same legal protections afforded to products intended for human use.

The American Veterinary Medical Association does not recommend the use of medicinal cannabis for pets for a variety of reasons, including the lack of clinical research regarding its safety and efficacy. Because of this, most veterinarians are unfamiliar

Americans spend more than
\$60 billion annually on their pets

miliar with the brand, they're more likely to explore other products in the line, Smith says.

"I believe you have to really work on building a brand, and I think as people get used to that they start to look at your brand first, as long as you deliver that brand responsibly," Smith says.

Keeping products out of the hands of children is also part of that responsibility, he says.

"We want to be consumer friendly, but that needs to be an adult consumer and not a youth," Smith says. "We've never had a gummy bear or a cartoon character on our packaging. We think that's irresponsible for the industry. And the state came in and regulated that as well. We just think it's the right thing to do."

The image of the overall industry is vital in that regard, because if products

are seen as targeting children, state legalization efforts will be less likely to pass, he says.

"We're building an industry from scratch," Smith says. "We're trying to remove prohibition. We're trying to build something to stand shoulder to shoulder with the alcohol industry. As an industry we have a responsibility to keep products out of the hands of children."

THE UP-AND-COMER

DB3, which makes Zoots brand products in Washington and Colorado, is having great success with lower dose five-milligram edibles in recreational markets.

DB3 focuses on edibles for mature consumers; most of the company's products come in five-milligram doses, half of what has become the standard potency in

WE HAVE A RESPONSIBILITY TO KEEP PRODUCTS OUT OF THE HANDS OF CHILDREN

Washington and Colorado.

"We wanted to start off small because I think a big part of this market is more middle-aged, and they don't want a huge dose, and they don't want to smoke or inhale," says Dan Devlin, one of DB3's owners.

Most customers are between 30 and 60 years old, Devlin says.

"We also avoided shapes and items that would be appealing to children," he adds. "Obviously, a cookie is a cookie, but with packaging you can discourage that sort of appeal."

In Colorado, the company uses a spe-



Yusef Guient rubs Ulu's belly at an Oregon cannabis farm. *Photo by Rachel Cavanaugh.*

with using medical cannabis for patients and are unable to provide information about dosing and formulations. This means pet owners who choose to medicate their pets with cannabis have to rely on information provided by budtenders, potentially putting both the dispensary and the pets at risk.

Fortunately, even though most veterinarians are unfamiliar with the products, many are still willing to discuss medical cannabis

Even in states with full legalization, products for pets are not allowed.

Washington's laws specifically define acceptable products as "intended for human use." While other states' laws are not as clear, they defer to the Food and Drug Administration for guidance, which clearly does not support the use of medical cannabis for pets.



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cial stamp
to discourage
use by children. In

Washington, the products are individually wrapped and placed in child-proof packaging, which is the state requirement.

DB3 makes three distinct lines of edibles — baked, molded and liquid.

Zoots' baked line includes gluten-free brownie bites, which have been very pop-

ular in both states, Devlin says.

"We may be the only gluten-free baked product in Colorado or Washington," Devlin says. "We know wheat does bother a lot of people. Going with food trends like gluten-free, non-GMO, all-natural, those are things that customers really appreciate."

The company's molded line includes chews and hard candies, and its liquid line includes energy drinks and infused drink additives that consumers can add to any beverages.

"ZootRocks, which is our hard candy item, has been the number one selling item in the state (of Washington) since we started our business," Devlin says. "All of our products are in the top 10 for Washington edibles. And we're in the top 10 in

Colorado as well."

Getting their doses to precisely five milligrams of THC is challenging.

"There are three keys to getting it that close: Homogenization, precise ingredients and extracts and precise sizing," Devlin says. "So our brownies go through a machine that makes them the exact same size. And in our liquids, a machine dispenses the precise amount in each product. We ended up building or customizing a lot of our own equipment."

There is high-volume equipment available off the shelf that would work for cannabis edibles manufacturing, but it's costly, he adds.

"We use automation as much as we can financially justify, but we didn't want to invest in a \$200,000 bottling line," Devlin says. "Packaging is also expensive to automate, but it's required. So we invested in that first."



Many manufacturers attempt to circumvent these laws by using CBD oil obtained from hemp plants, which is legal because the FDA considers it a dietary supplement and not a drug. However, caution must still be taken, as the FDA regularly reviews claims made on the labels, websites and educational materials of hemp-based product manufacturers. If any claim is made that indicates the product is intended for the "mitigation, treatment or prevention of disease," the FDA considers it to be a new drug being marketed and sold in violation of the Food, Drug, and Cosmetic Act. In 2015, Canna-Pet, a leading manufacturer of cannabis treats and capsules for pets, received a warning letter from the FDA threatening seizure and injunction if the products were not brought into compliance. Any producer who markets CBD products as medicine for pets risks similar action from the FDA. Ultimately producers who attempt to create pet products from hemp-derived CBD should only do so under the careful guidance of an attorney who is familiar with FDA regulations.

While the market for pet products exists and is tempting for many in the cannabis industry, it is best to wait until proper research has been conducted and legal protections are in place. In the meantime, animal and cannabis activists alike can focus their energy on lobbying for changes.

Sara Demianycz is a managing consultant with Canna Advisors, a consulting firm based in Boulder, Colorado. She has a degree in biological sciences from Colorado State University, and has experience in both medical and recreational dispensaries. She can be reached at sara@thinkcanna.com.





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GUMMIES HAVE ACTUALLY BECOME SORT OF A GO-TO FOR CANNABIS EDIBLES

In Colorado's candy sector, gummies are king. Gummy sales grew 155%, from \$6.4 million to \$16.3 million from the first half of 2015 to the first half of 2016, according to BDS Analytics. Hard candy sales, in contrast, actually declined 14%, dropping from \$6.5 million to \$5.6 million.

Gummies are prohibited in Washington and it remains to be seen how other recreational markets will handle them, Jones says.

In some ways, gummies have gotten a bad rap, says Dan Anglin, owner and president of Americanna in Colorado, a company that makes gummies in the shape of cannabis leaves in an effort to differentiate between them and candy for children.

"The reasoning behind (our using the marijuana leaf shape) here in Colorado is that there was a lot of consternation from people who don't consume cannabis — that there was too much confusion between infused edibles and things that are not infused edibles, like regular candy," Anglin says. "To a certain degree, I agree with them. I think gummy bears and Sour Patch Kids could easily be confusing in the marketplace. But certainly, pot leaf gummies are something an adult would identify as not being just candy."

The company's products are undeniably popular. Americanna's pot leaf gummies were the 13th leading seller in the Colorado market in April 2016; by the end of August, they had skyrocketed to the third-highest selling edible in Colorado, according to BDS Analytics.

"Sales are great," Anglin says. "We're

Mike Vernon packages Zoots candies at the DB3 processing facility in Seattle.
Photo courtesy DB3.

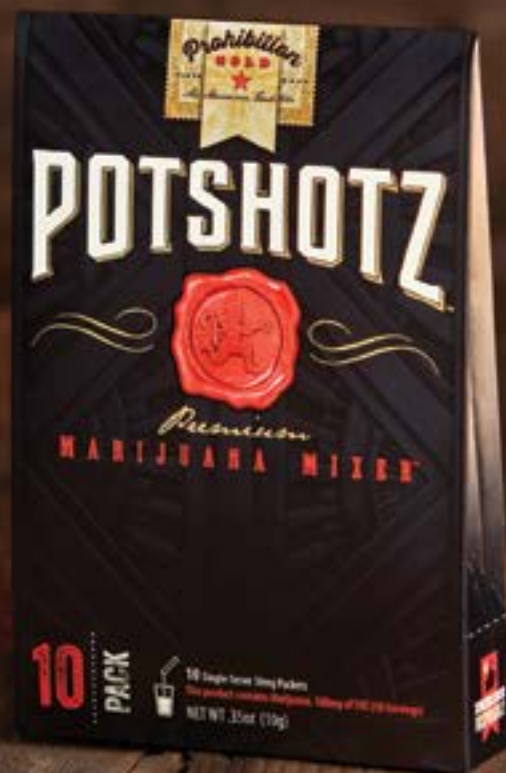
Marketing is also a very important part of the company's business plan, he says.

"I think you have to have a marketing plan, a packaging plan and a good facility," Devlin says. "That's what makes a successful company in the edibles market."

GUMMIES

Gummy candies may be controversial, but there's no denying their popularity with consumers.

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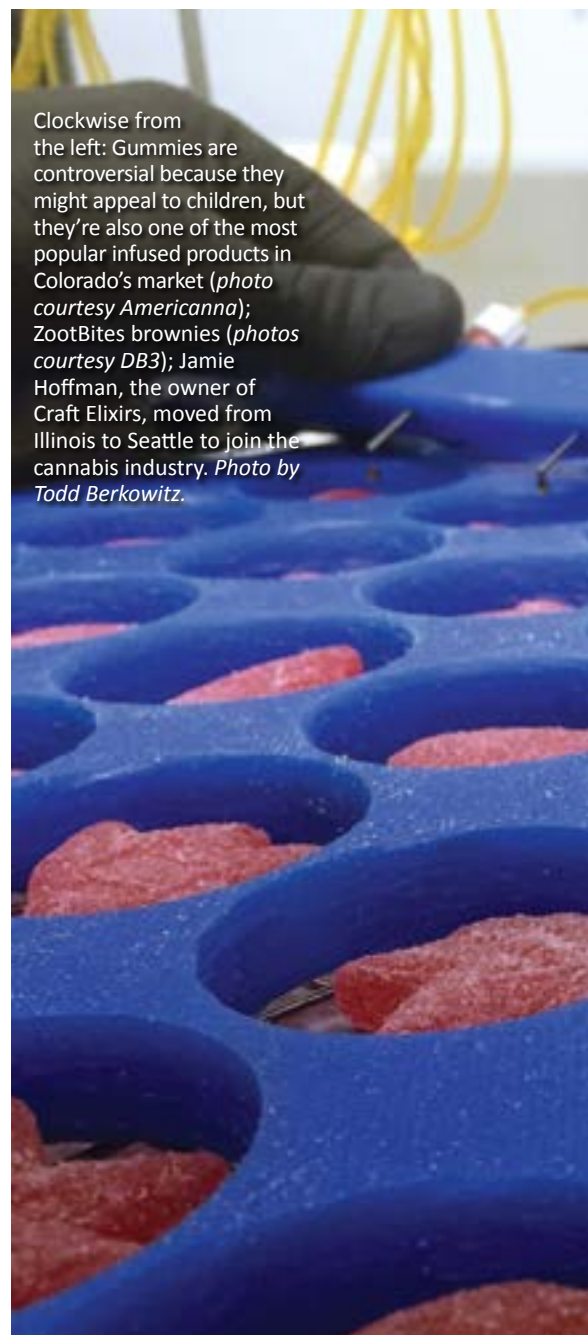
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Clockwise from the left: Gummies are controversial because they might appeal to children, but they're also one of the most popular infused products in Colorado's market (*photo courtesy Americanna*); ZootBites brownies (*photos courtesy DB3*); Jamie Hoffman, the owner of Craft Elixirs, moved from Illinois to Seattle to join the cannabis industry. *Photo by Todd Berkowitz.*



running at about \$450,000 a month. We're only limited by our production facilities."

The company is planning to increase production from about 10,000 to 12,000 bottles of pot leaf gummies a week to between 30,000 and 35,000 a week.

"The demand is there," Anglin says. "Gummies have actually become sort of a go-to for cannabis edibles."

There's another reason why gummies are popular in the edibles world — because they're more chewy than other products, they stay in the mouth longer, meaning more cannabinoids are absorbed sublingually through mucus linings in

the mouth. That makes the effects kick in more quickly, because the cannabis travels straight to the brain and bypasses the much slower digestive system, Anglin says.

"When you bite a piece of chocolate, you bite and swallow, and the effect doesn't kick in until it hits your liver, which is after it goes through the entire digestive system," Anglin says. "By having the more immediate effect, it keeps people from (getting impatient) and over-consuming. And any time you have THC oil in your mouth, the longer it stays there the more likely it is that your capil-

laries and gums will absorb it."

One of the reasons edibles got a bad rap in the early days of Colorado's recreational cannabis launch is that portion sizes weren't well controlled. Some companies would make very high-dosage edibles with poorly controlled portion sizes, and that led to bad consumer experiences, Anglin says.

"At the beginning, there was so much more out there, but the other trend was to put a lot of THC in the product, and there were folks making 1,000-milligram edibles," Anglin says. "Now we have restrictions for 10-milligram serving sizes and



100-milligram packaging. And it wasn't until that happened that the focus shifted to food quality and really working to make sure 10-milligram doses were scientific, exact and consistent."

His company developed its own method to make sure each candy has a consistent dosage of 10 milligrams of THC.

"Homogeneity has been extremely difficult for edible makers," Anglin says. "What we did is we built a machine that does the infusion for us."

Gummies are fairly porous, which is another reason for their popularity in the edibles marketplace. That porosity means

**THE LONGER THC STAYS
IN YOUR MOUTH, THE
MORE LIKELY IT IS THAT
YOUR CAPILLARIES AND
GUMS WILL ABSORB IT**



Suzanne Dervaes, of the Peterson Company.

INTERVIEW

with the

Chocolatier

By Justin Runquist

To entrepreneurial growers, cannabis is like a fine wine.

"The marijuana strains that they're growing now are so precise as far as how they grow it — the soil, the temperature — that you should be pairing it with a great chocolate," says pastry chef Suzanne Dervaes, one of the creative drivers behind the Peterson Company, which supplies about two dozen edibles producers across Washington with anything from chocolate and peanut butter to oils and cheese.

Founded nearly 70 years ago in Seattle as a Scandinavian cheese importer, the Peterson Company is now one of the leading U.S. importers of European specialty foods. In its history, rarely has the company found a better opportunity for new business than with the fast-growing cannabis industry. And that's great for

they more easily soak up cannabis oil, making it easier to ensure a precise amount of oil is absorbed by each candy, he says.

Americanna's machine applies an equal amount of oil that soaks into each gummy. It can produce 100 candies per 15 seconds, Anglin says.

"With that, we can do a lot of volume," he explains. "And our volume ability means we can charge less. That's why we've been so successful. If you can make more, quicker, that gives you a market advantage."

Next on his agenda is to make lower dosage edibles so he can create larger serving sizes, because consumers often want to eat more than just one single gummy — especially if the edible tastes good, Anglin says.

"Right now the standard in weed is one piece in one serving," Anglin says. "What we want is to make larger portions so people can eat more without overdosing. That's another step we want to take."

HYPER-LOCAL

As an alternative to some of the larger edibles companies, Jamie Hoffman, president of Craft Elixirs in Washington, found a niche for her edibles by building on the strong Pacific Northwest emphasis on locally-sourced foods.

"You go into a marijuana store and it's all hard candies and things and you don't see much of the local fruit from the region," Hoffman says. "That was something missing from this market, and I think that's so important."

The company makes a line of specialty syrups flavored with Theo Chocolates and Pacific Northwest produce like loganberries, juneberries and apples. It recently launched a line of snack-food edibles that include cinnamon-sugar dehydrated

Washington apples, dehydrated pink grapefruit, dehydrated pineapple tossed in raw cacao and a fruit mix.

"It's part of a product line, but there are a couple reasons why we came out with those flavors," Hoffman says. "It's repurposing the fruit we use for making our syrups, rather than tossing them in the waste. And it's great local flavor."

The edibles are also aimed at an adult palate, rather than the sugary hard candy edibles found in most shops, she says.

"Everything we make is for an adult palate," Hoffman says. "You're not going to see bubble gum, deep purple grape or things like that from us. We want sophisticated flavors that appeal to an adult foodie market."

Focusing on local flavor also lets the company come out with new seasonal releases, which give customers a greater variety of options throughout the year.

"We use loganberries — and those are only here for a few weeks — and lots of other local produce," Hoffman says. "All the fruit, season berries, we're just inspired by that."

The local food growers appreciate the business, but because of the stigma in the cannabis industry, Hoffman says they aren't too eager to publicly tout the support from companies like Craft Elixirs.

"The companies we get produce from, they don't want anything to do with us because we're a marijuana company," Hoffman says. "They have their reputations, and unless this becomes big nationally I don't think

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Dervaes, who came to Peterson after working for some of the most popular restaurants in Western Washington. Now she spends much of her time teaching companies the tricks behind making high-end cannabis-infused edibles.

Marijuana Venture spoke with Dervaes about some of her top baking tips and biggest takeaways on developments in the infused edibles market.

Marijuana Venture:

What trends are you seeing from companies making edibles?

Suzanne Dervaes:

Sugar-free and vegan have been big things, and lots of diabetic chocolates. Organic chocolate has been really popular right now, and also the caramel.

MV: In your opinion, which type of fat is best for edibles?

SD: A lot of people like to extract using oils or coconut oils, things like that. But cocoa butter is a natural emulsifier, so you don't have to worry about your chocolate separating or extracting with something foreign and then putting it into the chocolate.

MV: For anyone looking to make edibles on a commercial scale, is it best to hire trained chocolatiers and pastry chefs, like yourself?

SD: Working with Peterson definitely has its benefits. You get a support system, which is nice. Not to mention that we can also deliver direct to your account. But you're not sourcing out, you're not constantly driving around to find the best product. We just kind of have everything here. And if they need me, I'm more than willing to come out and help develop recipes. I've gone out to quite a few places to help out and develop a basic recipe that they can then infuse themselves.

MV: How do you see the market for edibles evolving in the near future?

SD: I think with being more open about it, we have a much more sophisticated palate for these products now. I think the savory side is something that's going to start exploding here pretty soon.



Dixie Elixirs' new line of chocolate bars.

they they'd want to proudly talk about working with a cannabis business. They love working with us quietly, but it's a sensitive subject with a lot of people, and we understand that."

NUMBERS BREAKDOWN

With so many edible options to choose from, it's not surprising that consumers haven't yet settled on which products will be dominant, Jones says.

"In Washington right now, candy and chocolate are the biggest and have nice growth rates, but it's kind of a fickle market," Jones says. "The consumer is experimenting and figuring out what they like. There's not much loyalty to particular brands or products yet, although there are a few big brands that will stay big."

The trends are similar in Washing-

ton and Colorado, Jones says, but there is some market data to suggest which items consumers seem to be most drawn to.

In Washington, pills represented the fastest growing category, albeit a small one. Pill sales in the same time frame grew 1,341%, from \$117,000 in 2015 to \$1.7 million in 2016.

Beverage sales also grew rapidly, with a 406% increase in sales, from \$400,000 in 2015 to \$1.9 million in 2016.

Candy and chocolates remain the dominant edible varieties. Each category grew up 100%. Candy grew from \$3 million in 2015 to \$6 million in 2016, and chocolates grew from \$2 million in 2015 to \$4 million in 2016.

Hard candy was the dominant candy variety in Washington. It grew

Calvin Ward mixes ingredients to make Craft Elixirs' chocolate syrups.



MV: What are you seeing as some of the most popular and effective products for making edibles?

SD: We sell what are called loaves, but they're loaves of caramel. Those seem to work really well. People can melt those down, infuse the oil into them and pour them back into chocolate shells, or they can fill them into truffle shells. We also have pre-done hollow chocolate shells that people can use to make their own ganache.

MV: What advice do you have for someone looking to begin producing edibles?

SD: I would definitely say get your basic Pastry 101 taken care of first. I see a lot of people that just kind of jump into this business because they want to make some cash, and they don't necessarily have the chocolate or pastry background. You can make stuff and you get high from it, but does it taste good? For me, if I'm going to spend \$10 to \$30 on something, I want it to taste amazing, as well.

47%, from \$2.9 million in 2015 to \$4.2 million in 2016. And caramels, a smaller portion of the candy market, grew 670%, from \$100,000 in 2015 to \$900,000 in 2016.

Tincture sales grew 51%, from \$2.3 million in 2015 to \$3.4 million in 2016.

In Colorado, pills have been one of the largest growth categories. For the first half of 2016, pill sales grew 107% compared to the same time period in 2015 (from \$1.9 million to \$4 million in sales). Beverages grew 83%, from \$3 million to \$5.4 million in sales. Tinctures grew 95%, from \$2.3 million to \$4.5 million.

Candy and chocolate are the biggest edibles sectors overall, but chocolate grew at a slower rate than some of the newer product offerings.

Candy sales grew by 81%, from \$15.8 million to \$28.6 million. Chocolate sales grew by 7 %, from \$14.8 million to \$15.9 million.

"For that sort of growth, marketing and branding play a huge role," Jones says. "If there's brand recognition, the consumer is going to go that way. And if budtenders also like the product and

are pushing it, that's also key."

Edibles prices at the register actually increased a bit in Colorado from 2015 to 2016. Retail prices grew from \$13.73 per packaged unit to \$14.81. And unit sales of edibles grew 43% over that time frame.

"As demand has gone up, prices have also gone up a little bit," Jones says.

Despite the smaller population, Colorado's market is bigger than Washington, although Jones believe the Washington market will eventually catch up.

"It's growing faster than Colorado," Jones says. "We almost have an office pool here about when and if that will happen."

In both states, larger brands that launched early are starting to emerge as dominant players, compared to the host of smaller, up-and-coming edibles manufacturers that are appearing on the scene. But it's not time to count the little guys out yet, he says.

"There's a lot of little brands coming on to the market, and they're fighting for limited spending, but I think they'll have an impact on the market as well," Jones says.

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DAVID

— vs. —

Goliath

**Cannabis entrepreneur Wayne
Schwind battles a giant in an attempt
to save his company's name**

By SUE VORENBERG



When Wayne Schwind registered the trademark for his small Oregon cannabis company in 2015, he had no idea it would turn into a David and Goliath battle for his business.

His company, Periodic Edibles, has been selling cannabis-infused caramels in the Oregon medical market for nearly a year. But as he's been building his company, he's also been fighting a trademark dispute from Edible Arrangements, a large national corporation that makes flower arrangements out of chocolate-dipped fruit and other items.

Edible Arrangements doesn't want cannabis businesses to use the word "edible." The company argues that cannabis businesses using "edible"

will confuse consumers, which could impact the Edible Arrangements' bottom line, president Rob Price wrote in a prepared statement to Marijuana Venture.

"Edible Arrangements ... has filed an opposition to the Periodic Edibles trademark application because the increasing use of the term 'edibles' in connection with consumable foods infused with marijuana (THC) is a growing concern for Edible (Arrangements)," Price wrote. "The term 'edibles' is becoming widely used for candy products infused with THC, a drug that is currently identified under the Controlled Substances Act as a Class I illegal substance. Edible (Arrangements) feels strongly that use of the term 'edibles' or 'edible' with products that, but for the infusion of the THC, would be sold in similar trade channels to



PERIODIC EDIBLES



Periodic Edibles released a special line of infused caramels that benefited the nonprofit Q Center in Portland. Pictured, from left to right, is Periodic Edibles operation manager Rachel Schwind, Q Center co-directors Stacey Rice and Justin Pabalate and program director Raina Daniels.



similar consumers, dilutes and tarnishes its famous brand.”

Schwind, who doesn’t have a lot of money to pay for lawyers, has been working through the process of defending his company by himself. He’s working with an interlocutory attorney and learning how to file motions on his own.

“Nobody recommends that,” Schwind acknowledges. “You either have to know what you’re doing or you have to learn. But my company is too small to spend \$20,000 or \$30,000 on a lawyer.”

Even if he had the money to hire a good lawyer, Schwind would still be at a ma-

jor disadvantage. In many legal cases between small business owners and larger, national corporations, the business giant has the ability to drag out the proceedings, bleeding smaller adversaries of their relatively limited financial resources.

BEST PRACTICES

Scott Warner, an intellectual property attorney with Garvey Schubert Barer in Seattle, says Schwind’s problems aren’t all that uncommon in the legal cannabis industry.

Because marijuana is a Schedule I illegal drug, federal trademarks are pretty

much unheard of in the fledgling industry. State trademarks are easier to get — at least in places where cannabis is legal — but can still face conflict with larger national operations.

At the lowest level, there’s also something called a common law trademark, which is based on when a company begins using its chosen name. It’s not something that companies apply for at the state or federal level, but that type of trademark is also the least secure, Warner says.

To protect themselves, people who are thinking about getting a trademark, especially in the cannabis industry, should



TRADEMARK LAW DOESN'T LET YOU REGISTER SOMETHING THAT'S A GENERIC TERM

"I think that's a really good technique," Schwind says. "It's something I would have thought more about if I had known that it offered more protection when I got started."

It's also a good idea for businesses to protect a trademark in states where they might want to expand, Warner says.

Cannabis products can't be legally transported over state lines, but companies operating in several markets need to protect their brands in each state.

The way some do that is to trademark a recipe for a product, or to classify a product as a service and protect that. In some cases, that also works for a federal trademark, although that process has grown more difficult.

"It's a little hit or miss," Warner says. "In the early days it was a little more hit. You could use phrases that didn't indicate actual ingredients. So you could use a recipe with specific ingredients or seasonings, but if it's federal, what you especially can't do is say that recipe contains cannabis."

Still, if you can get a federal trademark on a product, it offers protection in every state.

"With that, you can ban importation of infringing goods from outside of the United States, but you can only get that by applying and registering with the federal government," Warner says.

THE EDIBLE DILEMMA

In the case of the word "edible," a company like Edible Arrangements has to show that an "acquired distinctiveness" has evolved over time for its name, so that consumers associate the word in question with a secondary meaning associated

choose the words in their marks carefully, he notes.

"Trademark law doesn't let you register something that's a generic term or isn't descriptive," Warner says. "People often think the best trademark tells you what the product is, and that makes sense. But then you have a descriptive mark, and that creates problems."

Warner notes three guidelines to avoid when it comes to selecting a trademark: Don't use a generic term; don't use a descriptive term; and don't pick something that looks like an existing trademark.

Instead, it's better to make up a word,

which is known as a fanciful mark, or use a word that has nothing to do with the product, known as an arbitrary mark.

"You should use names you like, check out logos, and then talk with a lawyer to see if it makes the cut," Warner says. "The worst case scenario is when you pick a name, you pick a mark, you get advertising, synergy, and then you don't protect that and you end up with problems."

If Schwind had known more about trademarks when choosing his mark for Periodic Edibles, he would have spent longer considering a fanciful mark name, he says.

HELPING A COMMUNITY IN NEED

As every major news organization in the country relayed the horrors of the Pulse nightclub shooting in Orlando, Florida, Wayne Schwind began looking for a way to help the local LGBTQ community that was reeling from the tragedy.

Schwind, the owner of Periodic Edibles, produced a limited run of 1,000 cannabis-infused sea salt caramels under the “One” brand with a percentage of the proceeds going to the non-profit Q Center, which provides support and a safe space for the LGBTQ community.

Sales of the caramels through select Portland retailers raised \$2,000 for the Q Center to help the 13-year institution pay for staffing and space.

“The struggle for nonprofits like Q Center is always about funding. And when somebody like Wayne comes forward and wants to help us out, that makes a huge impact,” Q Center co-executive director Justin Pabalate says.

“Anytime there are innocent people affected like this for simply being who they are, we really need to have a larger social and cultural response,” Schwind says. “As a business, of course, we have a goal of making money, but we’re also part of the community and we want to give back. This is our small way of doing that.”

Although Periodic Edibles ultimately fell short of its initial goal of raising \$3,500, the company plans to do two or three similar fundraisers a year.

In some ways, Pabalate says the LGBTQ and cannabis communities are kindred spirits. Both face a constant battle dealing with stigma and misunderstanding in mainstream society.

“They’re like a parallel to the green stripe in our rainbow,” Pabalate says. “We both face stigma, we both face frustration when the reaction to our groups is emotional rather than based in science. In the LGBTQ community that means we have things like blood donation bans, based solely on fear. In the cannabis world, fear is used to put a disproportionate number of minorities in jail. We need to break that stigma and break down those silos of thought.”

Right now, the company is focusing on getting licensed for Oregon’s recreational license program.

“After that is accomplished we can focus our attention back on the enjoyable side of the business,” Schwind says.



with a brand. The company will also likely have to show that that word has been used exclusively with the business for some time, Warner says.

“Usually there has to be things like: How much money was spent advertising this product? Where was it sold? Are there pages where people talk about only those products using that term?” Warner says. “So a word like ‘edible’ — it has a specific meaning, especially in the marijuana industry. It’s not even a descriptive term. It’s a generic term for an entire class of products. It’s generic in the marijuana industry.”

In Schwind’s case, he registered the Periodic Edibles trademark with the state of Oregon in July 2015. It was reviewed and approved by an attorney.

After the Edible Arrangements case started in late 2015, he’s been in an almost constant process of filing motions back and forth in an effort to protect his brand. Schwind estimates the process has taken about 200 hours of his time in the past year, and doesn’t expect it to be re-

solved until late 2017.

“It feels like every time we take a step forward I have to learn an entirely new process,” Schwind says. “I think now, with the timeline we have laid out, this should finally end in late 2017. But the question is, should I keep doing this myself? For now, I will, and I’d probably do the same thing again. It’s been a good learning experience, if nothing else.”

Still, if he ends up losing the case in 2017, it will destroy two years worth of marketing, branding and customer recognition, he says.

“It’s hard to really define how much of an impact that would have,” Schwind says. “It will be significant. We could still keep our packaging looking similar, but customers looking for us in stores under a different name, that could create a lot of confusion. It would definitely have an effect.”

Marijuana Venture will continue to follow this story as it develops, with plans to publish a follow-up story at the conclusion of the dispute.

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LEADERSHIP

AT

LA MOTA

With eight locations open and six more in construction, La Mota is one of Oregon's largest dispensary chains

By JUSTIN RUNQUIST

Rosa Cazares doesn't have a lot of time for sleep. The 28-year-old CEO of La Mota, one of Oregon's largest dispensary chains, spends just about every waking moment managing her stores and navigating the licensing process for future locations. Each week, she makes the rounds to all eight La Mota dispensaries to keep her finger on the racing pulse of the business. Six more locations are in various build-out stages around Oregon, and Cazares envisions herself running as many as 20 retail operations by May 2017.

"We go so fast," she says. "My aspiration in life was to be a job creator. We employ about 70 people currently. By the end of next year, we'll quadruple that."

Like many in the booming industry, Cazares has set her eyes on building a national presence as more states legalize cannabis. But more than the company's



rapid growth, what sets La Mota apart from its competition is its employees, Ca-zares says.

IMPACT OF WOMEN

Fifty-five of La Mota's employees are women — almost 80% of the company's entire staff. Today, women make up more than half of America's population, but they only account for 47% of the workforce, according to the latest data from the Bureau of Labor Statistics. Yet more and more, pioneers in the cannabis industry are finding new opportunities to buck that trend.

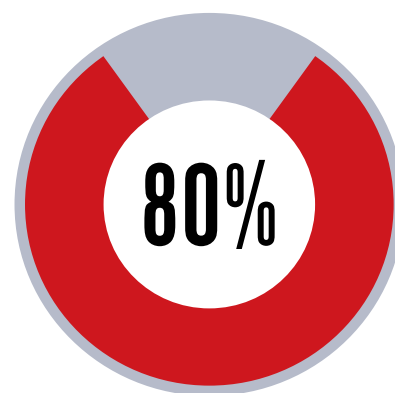
Although men still far outnumber women in executive roles across the nation, women are closing the gap in cannabis. A 2015 survey by Marijuana Business Daily found 36% of the leadership positions in legal marijuana belong to women, compared to 22% on average in other sectors.

A year ago, Newsweek published a story about the likelihood of cannabis someday becoming the first billion-dollar industry dominated by women.

Leah Maurer, the co-chair of Women Grow's Portland chapter, says she would love to see women lead the industry, and in many ways they already are.

"The cannabis industry has allowed a space that did not exist when other industries were emerging, simply because of the time and place we are in, currently, in terms of social justice and civil rights," Maurer says.

In addition to her role with Women Grow, Maurer works as the branding and research manager for Yerba Buena, a Hillsboro-based cannabis producer where more than half of the employees are women. Like La Mota, Yerba Buena is poised for rapid growth as Oregon's



Women constitute almost 80% of La Mota's staff

recreational cannabis system begins to take shape this fall, says Laura Rivero, the company's operations manager. And also like La Mota, Yerba Buena is on a mission to make women leaders in the cannabis industry.



About 80% of La Mota's employees are women, including Camille Boults, Sylvia Woolf, Rosa Cazares, Ruby Ripstra and Caroline Sullivan. *Photo by Justin Runquist; At right, another Oregon company that has more women working for it than men is Yerba Buena, a state-licensed recreational producer. Photos courtesy Yerba Buena.*



"Growers in particular have historically been predominantly male," Rivero says. "But women have an innate nurturing tendency, so it makes perfect sense that women will go to great lengths to cultivate plants mindfully and with the utmost attention to detail."

Since landing one of the first eight cultivation licenses in the state, Yerba Buena has already staked its claim to several other firsts in the early days of Oregon's recreational cannabis industry, including the first business-to-business transaction within Metrc (the state's seed-to-sale tracking program) and the first harvest of a recreational cannabis crop in Oregon.

Rivero ties much of the company's success to its diverse staff led by intrepid women, and she praises La Mota for hiring so many.

"I think that women have every chance

of showing what they are capable of in this industry and commanding a level of respect and equality that isn't as attainable in other industries that have been held back by antiquated belief systems," Rivero says.

Cazares says she can't recall a time when she's been treated differently for being a woman in the cannabis industry, but she's often one of the only women attending some of the various public meetings where cannabis policy is being discussed.

"That's very important to me," Cazares says. "I feel like I was given the opportunity of a lifetime as a young woman in this business."

Both Cazares and her husband Aaron Mitchell — who owns La Mota — were raised by single mothers. Cazares grew up in Tampa, Florida, and watched her mom

work three jobs to raise her four children before leaving home at 14 to start a life of her own. She spent a decade in the real estate business remodeling homes — a skill she applies with each new dispensary she opens in Oregon.

"I became a very independent person," Cazares says. "Whenever you are forced to do something like that, you grow up fast."

Cazares sees her employees as another family. But she's not running the show alone. Mitchell handles the company's two indoor grows and three outdoor farms that support a variety of products, including edibles, CO2 cartridges, shatter and about 60-70% of the flower that can be found at La Mota. They also own a 60,000-square-foot warehouse with plans to expand their indoor growing and processing infrastructure for the wholesale market.

Cazares envisions herself managing as many as 20 retail operations within the next few years.



Cazares also receives a lot of help from her industrious assistant Ruby Ripstra, who joined La Mota as a budtender about a year ago and quickly worked her way up the ladder.

“The cannabis industry is kind of a scary place sometimes,” Ripstra says. “It can be, but it doesn’t have to be. And women need to have that space in the industry to show that we can do it too.”

Working in a cash-only business, the potential for robberies often crosses Ripstra’s mind. But she feels safe at La Mota, where security is tight and the budtenders are like family.

FOUNDATION FOR SUCCESS

Cazares’ dedication to the industry earned her a spot on the Oregon Liquor Control Commission’s Technical Advisory Subcommittee, giving her a hand in the state’s rulemaking process.

Looking back on her childhood, Cazares attributes her ambitious approach to the business to those formative years watching her mother take on so much responsibility.

She sees her dispensaries as economic engines, not just for the Portland metro area, but some of Oregon’s smallest cities,

WOMEN NEED TO HAVE THAT SPACE IN THE INDUSTRY TO SHOW THAT WE CAN DO IT TOO

where jobs are harder to come by.

“When you watch your family struggle in so many aspects of life, you tend to learn a lot about business and finance,” Cazares says. “To live here is very expensive. For me, it really makes me very

happy to see that I created so much security for a lot of the people throughout the entire state.”

Establishing a safe space for women is important, too, she says. But that isn’t exactly what Cazares set out to accomplish with La Mota — at least not consciously. As someone who calls the late Steve Jobs her hero, Cazares doesn’t consider herself a feminist so much as a savvy businesswoman. Even so, her employees say she’s built an environment where women feel empowered.

That’s what drew Andrea Durland into joining La Mota’s team of budtenders after checking out the Southeast Portland store a few months ago. La Mota has no tolerance for rude or disrespectful shoppers — a culture that isn’t easy to find because so many retail organizations embrace the philosophy that “the customer is always right.”

“I just love to see a place where women are encouraged to be themselves,” she says. “Our ideas are validated. This is really working for us.”

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Moving

ANNUAL CONFERENCE HIGHLIGHTS THE FUTURE AND

The annual Hemp Industries Association conference has grown tremendously since it began as a single-day event in the mid-1990s. In September, the 23rd annual event brought farmers, entrepreneurs, advocates and researchers together in Denver for two full days of panel discussions, and a tour of a hemp farm and processing facility.

The endless potential for hemp products was one of the major themes of the event, with experts speaking about everything from hemp-based building materi-

als to CBD and food products.

“Overall, the picture that people are getting at the conference is that this industry is starting to take off since the passage of the Farm Bill,” HIA executive director Eric Steenstra said.


“In the past, there were very few farmers because most couldn’t grow the crop and they didn’t have the same level of interest. ... People involved and interested in processing are coming up with ideas to create new products. It’s exciting to see the growth. I’ve been in the hemp industry a long time and there were always new

people, but it wasn’t growing at the same pace and it’s been phenomenal since the Farm Bill passed.”

Hemp building materials were among the more intriguing categories, with several companies displaying alternatives to traditional metal and plastic materials.

FlexForm Technologies, for example, supplies auto manufacturers with hemp-based door panels.

Christine Taraskiewicz with USA Hemp Plastics was a first-time attendee of the conference who said she went to “learn the gospel” of hemp.



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FORWARD

VAST POTENTIAL OF THE INDUSTRIAL HEMP INDUSTRY

By Morgan Smith

“The state of the industry is growing,” she said. “It’s healthy in that we are concentrating on a crop, creating jobs and creating more products being made in the United States.”

Meanwhile, Chad Ulven comes to the hemp industry with a different perspective. Ulven, who has a Ph.D. in materials engineering, conducts research on natural fibers as an associate professor at North Dakota State University. He’s also the chief technology officer for c2renew, which develops unique bio-composites for injection molding.

“There’s a good energy around trying to domestically produce industrial hemp,” Ulven said. “I’d like to see more opportunities to stimulate rural economy and develop technology that helps stimulate being able to grow a product that has two or three revenue sources.”

CBD production was another major topic of discussion.

“It might be 10 years from now, but I think CBD is going to be approved by the Food and Drug Administration,” Taraskiewicz predicted. “I think you’re going to see CBD as one of the com-

pounded nutraceuticals.”

As domestic hemp extraction becomes increasingly prevalent, CBD companies are thinking about the future. Experts agree that it’s essential to create higher industry standards, and for the industry to stay up to date on extraction methods. However, industry insiders disagree about whether the CBD bubble may be nearing the point of bursting — the subject drew a wide range of opinions during one of the conference’s panel discussions.

Currently, CBD producers say they’re having trouble with standardized testing

A wide range of hemp-based products, including rope, paper and building materials, were on display at the 23rd annual Hemp Industries Association conference. Photos by Morgan Smith.



CBD oil was a major topic of conversation at this year's conference.

use of it," he said. "Hemp has so many potential different aspects between the fiber and core and seed and cannabinoid."

But before farmers and other entrepreneurs can start breaking ground on businesses in the United States, laws need to change. There are now 31 states with some form of legal hemp, including Florida, Alabama, Rhode Island and Pennsylvania, which all passed laws within the last year.

"The main thing we need to fully allow this industry to take off and flourish is for federal policy to move to the next step to allow fully commercial cultivation," Steenstra said. "There are still people sitting on the sidelines, waiting to see what's going to happen with that. That will open up a lot of the investment we need to get processing equipment."

Organizations like Vote Hemp and the HIA have been at the forefront of educating the public and driving advocacy efforts. And Rick Trojan from Hemp Road Trip has embarked on a journey to specifically raise awareness at universities.

Taraskiewicz believes these initiatives will help the HIA gain traction and increase attendance for future conferences.

"There will be more people learning, people returning who want to speak," she said, predicting that within a couple years, "the HIA is going to be huge."

and the wide variance between labs, while other companies are concerned with consumer-focused efforts and marketing.

With that in mind, Bluebird Botanicals has changed its product labeling to use the phrase "hemp-extract" rather than "CBD." The company also allows consumers to view certificates of laboratory analysis or track product through the manufacturing process for added layers of transparency between the manufacturer and the end user.

Experienced growers and rookies alike learned cultivation tips from Garry Meier, a farmer and agrologist with Canada-based Hemp Genetics International. Meier covered everything from the importance of seed size to weed and harvest

management techniques to soil properties. Meier suggested shallow seeding with sufficient moisture. He said sandy soils will work with adequate moisture, but farmers should avoid heavy clay, which poses a risk of excess moisture.

Speakers also emphasized the importance of diversification throughout the event, with examples from Dr. Ethan Russo about the neglected resource of the cannabis root, as well as a panel about how regenerative agriculture can reverse climate change. With so many farmers moving toward monocropping, Steenstra sees hemp as an alternative to that.

"Hemp definitely fits in that category and something that has a pretty diverse potential when it comes to the potential end

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ATTACKING MILDEW

Puradigm offers an alternative to chemical pesticides

By GARRETT RUDOLPH

Powdery mildew continues to be a persistent problem for legal cannabis growers throughout the country, and with the upcoming implementation of the Food Safety Modernization Act, growers will face an even higher level of scrutiny for products that will eventually be used in edibles.

The Colorado Marijuana Enforcement Division has issued almost three dozen statewide recalls of cannabis products that have tested positive for banned pesticides in 2016, in addition to numerous recalls issued by the city of Denver.

The most commonly used banned substance is myclobutanil, a fungicide that is the active

ingredient in Eagle 20. In September 2016, Colorado issued six cannabis recalls — each for products that tested positive for myclobutanil.

Jim Gabriel, the CEO of Puradigm, recognizes the struggle growers face. They have a high-dollar crop that they're trying to salvage at any cost.

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“YOU’RE ABLE TO CURE YOUR PROBLEM IN AN ORGANIC MANNER

compliant with state and federal regulations, they’re increasingly seeking an organic alternative.

Puradigm (www.puradigmsolutions.com) realized that basil farmers were losing 70-80% of their crops to mold. Growers needed a non-chemical solution to powdery mildew and other diseases, and Puradigm’s air purifiers turned out to be an ideal solution.

Puradigm’s systems are the only active purifiers on the market, as opposed to typical purifiers which passively filter undesirable particles from the air. The system generates hydrogen peroxide “bubbles” that reduce mold and mildew on contact. The byproduct is just air and water, so it’s safe for the plants and the people working in the facility.

The patented systems generate some ozone, but are compliant even with the

A Puradigm air purifier in use at a cannabis grow operation.

“It’s a very expensive product,” he says. “If you lose it, you’ve lost a lot of money.”

But as growers become more educated about the dangers of chemical pesticides and recognize the importance of staying

Humidity Control

By CLIF TOMASINI

There are plenty of good reasons to eliminate the need for pesticides in cannabis production. But more often than not, people discuss the problems, not actual solutions. The best option is to solve the problem before it occurs.

That’s where controlling humidity levels in a clean growing environment comes into play. Humidity is a critical factor to consider when attempting to prevent plant diseases that could require a chemical treatment.

Moisture

Here’s the simple fact: Too much moisture creates the perfect environment for mold, mildew and fungus to take hold. Numer-

ous agricultural studies from top-tier research hubs, including Purdue University, have proven this for other types of plants.

Once mold and mildew appear, growers have little choice but to spray or harvest early. Even then, they can’t always solve the problem. The worst case scenario is total crop loss.

After visiting numerous grow operations, including many that have successfully tackled powdery mildew and various molds without pesticides, it’s fairly clear that these plant killers were thriving because of the abundance of water in the air.

By controlling humidity, growers significantly reduce the risk of mold spores and mildew. No mold or mildew means no need for related herbicides and fungicides.

While relative humidity levels vary based on plant maturity, it’s generally ideal to keep levels at or below 50% to prevent mold and mildew growth, most experts say.



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“IF YOU WERE GROWING CANNABIS, WHAT WOULD BE THE NUMBER ONE CONCERN?”

strict air pollution standards in California.

“Most of the time, you wouldn’t even know it’s on,” Gabriel says.

The company began looking at other avenues for its purifiers and saw the cannabis industry as a logical target.

Puradigm worked in conjunction with consultant Darryl Hudson, who has a Ph.D. in molecular biology and genetics, to determine the right product for the cannabis industry.

“We asked him, ‘If you were growing cannabis, what would be the number one concern?’” Gabriel says.

Hudson said the biggest issue was controlling mold, mildew, bacteria and viruses, while also controlling odor, in a way that doesn’t adversely affect the plant.

“You’re able to cure your problem in an organic manner rather than looking at chemicals,” Gabriel says.

Puradigm manufactures two different purification units, the Pro model for larger facilities and the hexagon-shaped Grow model for smaller operations.

Testing has shown that the units don’t impact plants’ cannabinoid levels.

The amount of space the purifiers can handle is somewhat dependent on the facility’s design, but typically one unit can handle 500-700 square feet, and within

48 hours, growers can perform a swab test and see a significant reduction in microbial particles.

With the Food Safety Modernization Act coming online and the legal cannabis industry moving forward by leaps and bounds, regulators are paying more and more attention to marijuana growers. Eight-figure build-out costs have only drawn more attention on the industry.

“When you’re under the radar, and you’ve got a few individual growers, that’s one thing,” Gabriel says. “Now everybody’s going to want to micro-manage the cannabis industry.”



Bugging out

Controlling moisture can help prevent mold and mildew, but it can also act as a deterrent for unwanted insects.

Many insects and mites are attracted to mold and mildew, so eliminating their growth can reduce the chance of pest infestation, thus reducing the need for pesticides. It’s not the entire solution, but it can help significantly.

Of course, there’s a higher likelihood that pests will attack plants in grow facilities that aren’t clean, or are managed by people who aren’t careful about what’s brought into the operation.

That’s why growers need to examine their entire process, not just dehumidification, to ensure a truly clean environment.

More research needs to be conducted, but the evidence is already in the grow rooms. Great growers with truly clean cultivation facilities are seeing amazing success producing pesticide-free marijuana without reducing yield or quality. These

growers focus on prevention through strict control of humidity levels.

Clif Tomasini is the product manager for Quest Dehumidifiers (questhydro.com), which manufactures some of the most energy-efficient dehumidifiers in the world. Quest has supported the cannabis industry for more than a decade, working with growers to improve the quality of their plants through clean growing processes.

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Before You Build:

ELECTRIC

Proper planning can save money and headaches
when constructing a grow facility

By PATRICK WAGNER

ITV

With any indoor grow operation, electricity is one of the major concerns for business owners.

It's the lifeblood of growing plants without sunlight, but it can also be one of the most significant drains on profitability. It's a necessary evil for being able to grow perpetual crops year-round regardless of weather conditions or geographic location. But without proper planning, growers frequently find themselves fixing costly mistakes and enduring one delay after another.

Marijuana Venture sat down with Your Green Contractor founder and president Nathan Mendel to discuss ways growers and entrepreneurs can educate themselves for the early stages of building a cannabis production facility.

MARIJUANA VENTURE: What are some of the common misconceptions about the electrical needs of a grow facility?

NATHAN MENDEL: I would say for most people the misconception is how much power they're going to need. Everybody has the vague idea that it takes more power than normal, but it's more power by a factor of 10, not by a factor of two.

MV: Do you often find that you have to go back and supplement that somehow?

NM: Almost every time. We see people all the time that are excited because they found a building that they think has a lot of power. The short story is that unless the building you're taking over was a data center, the odds of it having enough power are about 1-2%. People always think, 'It was a heavy manufacturing plant, so I know it'll have enough power,' but that's probably not the case.

MV: So what kind of power should they be looking to have on a property?

NM: As far as a rule of thumb goes, typically you need about 1,000 amps for every 10,000 feet. In a 20,000-square-foot grow, you're going to need 2,000 amps. Again, the odds of that being at the building already are not very good.

MV: How do the needs of setting up a grow room vary from the needs of setting up any other type of commercial building? Is it important to have an electrician with that specific experience?



Finding the right electrical contractor is important, but the right electrical engineer is even more vital.

Another thing is that when we talk about upgrading the power, everybody understands that there'll be a cost for the electrician to do that work. But what a lot of people fail to understand, and this is actually different in the marijuana industry than it is in any other industry, is the upfront cost of upgrading. If I were to upgrade a building from 100 amps to 200 amps, there's no charge for that, because the electric utility knows it is going to make that up over time because now I'm using more power.

But in the marijuana industry, the electric utility's concern — and it's justified — is that if they spend \$50,000 to upgrade you to 2,400 amps and you go out of business tomorrow, then there is no other user that can benefit from the 2,400 amps. So they're charging that \$50,000 upfront.

So a lot of people understand that the work might cost \$50,000 for the electrician, but on top of that is a huge, five-digit number that's going directly to the power company.

In addition to that, and this is even more important than the money, is the timing. In Colorado that process is going to take somewhere between 90 and 180 days. So people who think that they're just going to call up the electric utility and get a service tomorrow and be up in operation by the end of the week? That is never going to happen that way.

MV: Since many growers don't know to ask about single-phase or three-phase power, could you give a brief explanation about what it is and why it's important?

NM: So a single-phase is basically a lesser type of power. It's the 110- to 220-volt power that runs to your house and my house and most places. Three-phase is the 277/480-volt power and it's much more efficient for air-conditioning units, any big equipment, chillers, heaters, kitchen equipment. They are all going to run better on three-phase power. Sometimes not even better, sometimes they require three-phase power.

NM: I think it's very helpful. But I think what's even more important than an electrician with experience is finding an electrical engineer who has set up grow facilities before. At the end of the day, if the engineering is done correctly, any electrician can follow the plans. So it's much more important to get the plans right than it is to have the right electrician. If you get the right electrician, then that's a bonus, because they are not asking questions because they already understand it.

MV: When people are looking at possible locations for their grow operation, what are some of the most crucial factors they need to consider from an electricity standpoint?

NM: Again, there is just not going to be enough power there. You're almost better off with the landlord and everybody understanding that they don't have enough power, versus having a landlord that thinks he might have enough power. The reason is this: Let's go back to the example of having 20,000 square feet and needing 2,000 amps.

Let's say you're looking at a building that has a 1,600-amp service right now, which is much bigger than average. The landlord

thinks he has an amenity there and he's going to charge a premium. But the fact of the matter is that 1,600 amps doesn't do you any good; it has just as much value as 400 amps because it's not enough. So now you're paying a premium to the landlord for a service that is not enough, so it doesn't help anybody.

MV: Have you seen that happen before?

NM: Yeah, we get people all the time. Somebody will get a manufacturing facility or what they think is a heavy industrial facility, and they'll say, 'I am sure it's got plenty of power.' And I always say, 'I'm sure it doesn't.' I have yet to walk into a building that actually has enough power off the bat.

MV: What are some other factors that regularly get overlooked?

NM: There are two kinds of power. There's single-phase power and there's three-phase power. Three-phase power is much more preferable than single-phase. But a lot of people don't even know to ask that question.

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Quick Tips

Experienced electrical contractor Jon Murfitt offers five practical pieces of advice for entrepreneurs looking to build out a commercial cannabis grow facility.

1 Find quality contractors

■ Get to know the contractor you are inquiring about. Go online and check them out. Perhaps they have some photos of their craft. They will provide references if asked. Previous customers are a good way to get the pulse of a company. Most of my customers have gotten my name through another grower, or simply word of mouth.

2 Ask other growers

■ In my experience, growers, and this industry in general, are very helpful. Producers aren't going to give out their proprietary information or their nutrient formulas, but they are willing to share their experiences and bits of their knowledge. Keep in mind that I end up becoming personal friends with my customers by the end of the project build-out. This industry has a lot of trust built into it. The majority of my customers have been growing for years "underground" and only trusted a few people. Now their trade is out in the open, but they want people that they can trust.

3 Be Confident

■ When opening a state-licensed grow facility in Washington, you have a 15-day window to get all of your genetics into the building and get them logged into your seed-to-sale software. This is an enormous task. Quite a few growers are starting out with only a few rooms of their facility to "get the hang of it." If they can afford to hire enough employees to maintain all of the plants, then it's a little bit different. Most start out with just the owners until they can afford to hire more employees and open up more flower rooms. You know your style of growing — stick with what you know. There is a learning curve from being a small medical grower to being a state-licensed producer. Having to learn a new style of growing is hard to do when you are dependent on your product for profit. Taking care of 15 plants is much different than 5,000 plants.

4 Attend a conference

■ There are so many things to be learned from walking around a convention. Talk with vendors, other growers, contractors. You will learn so much valuable information just by attending one of these conventions.



I wouldn't say three-phase power is extremely rare, but it's something you need to ask about before you complete your purchase or your lease.

MV: So does this regularly set your grow operations behind schedule?

NM: Yes, and this is completely outside the permit process. So people understand that it takes four weeks to get a permit, or it takes eight weeks to get a permit. But this is completely separate from that, but it's equally as important.

MV: What are some of the common mistakes people make when they set up a grow room?

NM: We see a mistake that people put in outlets almost like they would in a house. They think that they can put in an outlet every six feet and they can plug in whatever they want.

We want to know, up front in the design, exactly what they expect to plug in to every single outlet. We don't want to give them any outlets that don't have a function. The reason is that people see an outlet and they think, 'I can plug anything I want in there at any time.' But when you're talking about plugging in 1,000-watt grow-lights? That's a lot of power and you have to have a plan for that power. So we want to know exactly what they want to plug in every outlet, in every location so that

it can be engineered properly and we don't want any other outlets in the room.

MV: It sounds like a lot of these fatal flaws come from the planning and design phase, well before the contractor takes the blueprints. Is that correct?

NM: Exactly. That's where you need somebody, whether it's your general contractor or your electrical engineer or your electrician to go through this during the design and ask, 'Have you thought about this?' We understand that you want to put about 40 grow lights in this room, but are you doing supplemental fans on the wall for air circulation? If so we need power for that. What are your exhaust air requirements in the room? We need power for that. Do you want to have an emergency green light which you can turn on if you need to get into that room during the off hours? We want to have power for that.

MV: Any other general thoughts about the electrical needs or ways to set up a grow facility, or selecting the right contractor?

NM: You know, I think as far as hiring a contractor, I would say at a minimum that if you're in a jurisdiction that is just coming online, let's say Maryland or New York, somewhere that's brand new, if you can't find a contractor that has done one of these before, then at a mini-

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5 Research your equipment

■ When looking at security, make sure your equipment is UL listed! I'm getting phone calls about security equipment that is not listed. Getting a UL listing is quite expensive for the manufacturer. If you get a really low price on equipment, chances are that it's not listed. I have even come across Cat 5 wire that wasn't a listed product in these cases. The electrical inspector caught it and it all had to come out. As a licensed electrical contractor I could be fined for even installing equipment that is not listed. Trying to save a few bucks in the beginning ended up costing the customer much more in the end.

Make educated decisions on grow equipment and know the products you are purchasing. Each has pros and cons. Ask other growers what they are using and things they would have done differently. This is valuable information that is only learned by experience. Before purchasing the most expensive equipment, look around. In all likelihood there is a product that is every bit as good but at a much lower cost.

Jon Murfitt is the president of Greener Futures Electric (www.greenerfutures.us), an electrical contractor based in southwestern Washington with decades of commercial and residential experience.

6 HIRE SOMEBODY THAT IS NOT TRYING TO RE-INVENT THE WHEEL

mum, hire a consultant or somebody that is not trying to re-invent the wheel.

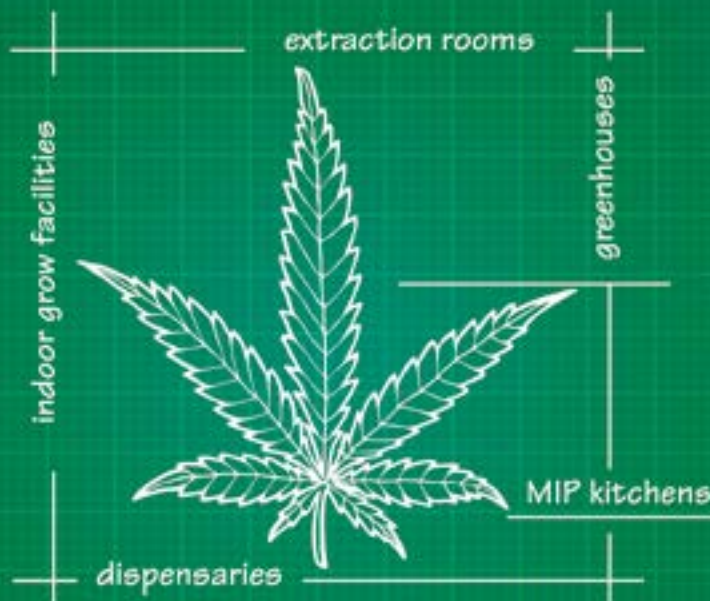
I'll give you one more: In a commercial grow facility, when you're getting a permit from the building department, they are going to want to see what they call a UL (Underwriters Laboratory) label on all of your fixtures. That's different from the guys that are growing in their basement, because nobody is checking your work and nobody cares. But there is some inexpensive lighting that's come in from China and other places that are not UL listed and it's not going to fly on a true commercial project.

The first thing the building inspectors are going to ask is, 'Where is your UL listing?' If you don't have

it, then you're not going to put that light fixture in. So it doesn't matter how inexpensive it was — it's now a paper weight.

Nathan Mendel is the founder and president of Your Green Contractor (yourgreencontractor.com), which builds custom indoor grow facilities, greenhouses, kitchens, extraction rooms and retail stores for the cannabis industry. With more than 600 completed projects since the company launched in 2011, Your Green Contractor is one of the most recognized names in cannabis construction in the country. Mendel has more than two decades of experience, having started his first construction company, Mendel and Company Construction in 1997.

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PHOTOS OF FALL

**Some of the best photos submitted
by Marijuana Venture readers**

**FARM: ALL GREEN FARMS
LOCATION: MOXEE, WASHINGTON
PHOTO: CARLOS PEREZ-LEON**



FARM: SASQUATCH BROS. ►
LOCATION: BEND, OREGON
PHOTO: ADAM PUGH



"FALL FLOWERS"

LEXIE OWEN

STRAIN: DUTCH TREAT

LOCATION: WASHINGTON

PHOTO: GREG JAMES







FARM: SUNGREEN GARDENS
LOCATION: ROGUE VALLEY, OREGON



STRAIN: JUICY FRUIT
LOCATION: COLORADO
PHOTO: SHARON ROACH



LOCATION: SOUTHERN OREGON
PHOTO: JASPER SMITH



KEVIN OLIVER
FARM: WASHINGTON'S FINEST CANNABIS
LOCATION: DEER PARK, WASHINGTON
PHOTOS: CRYSTAL OLIVER



FARM: WASHINGTON'S FINEST CANNABIS
LOCATION: DEER PARK, WASHINGTON
PHOTO: CRYSTAL OLIVER





FARM: LADY BUDS GARDEN CLUB ►
LOCATION: CHELAN, WASHINGTON

FARM: TRAIL BLAZIN' PRODUCTIONS
LOCATION: BELLINGHAM, WASHINGTON
PHOTO: SAVATGY PHOTOGRAPHY





FARM: EMERALD TRIANGLE ORGANICS
LOCATION: NORTHERN CALIFORNIA
PHOTO: BRYAN FUST



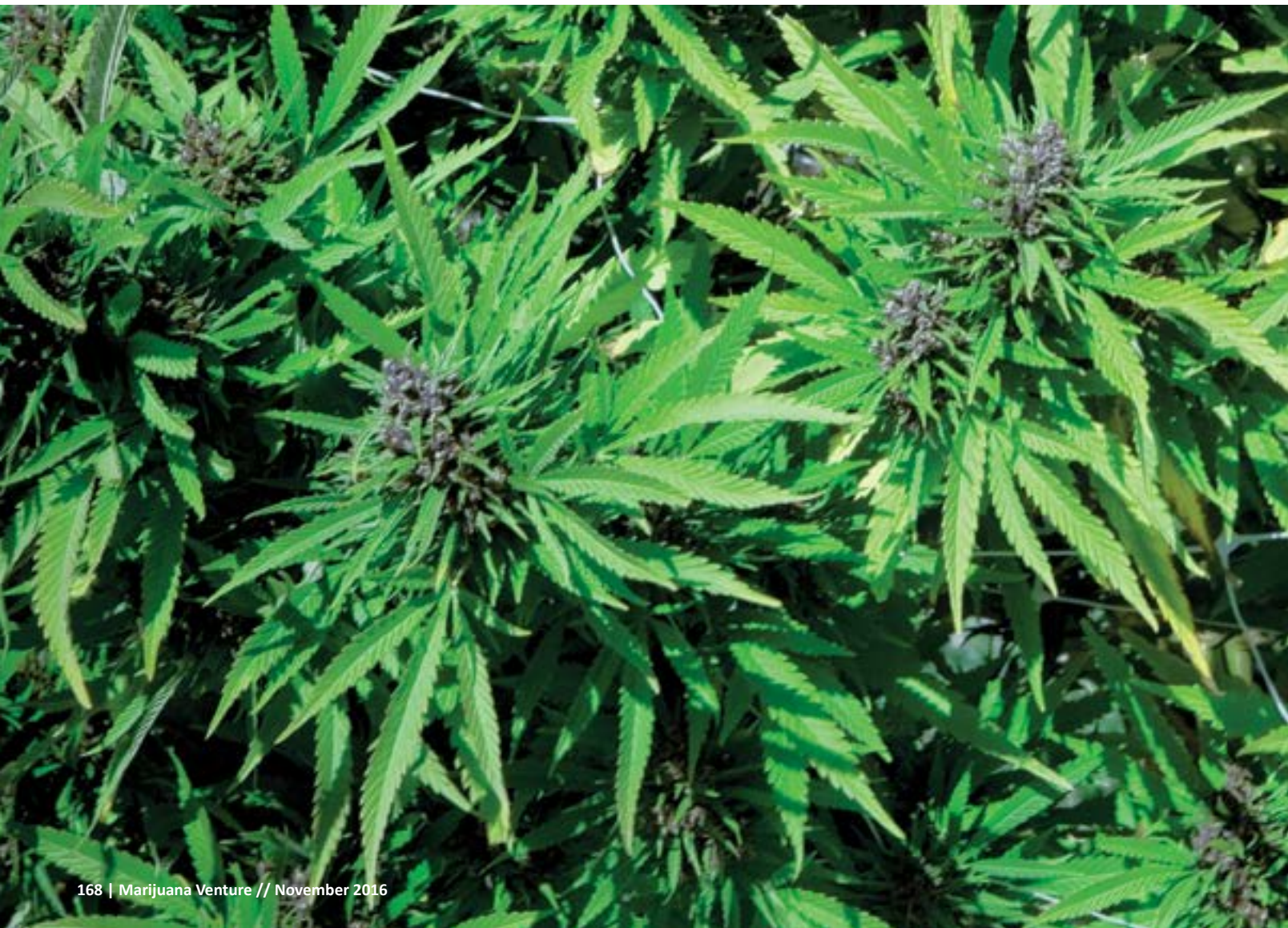
FARM: NATURAL MYSTIC FARMS
LOCATION: ELLENSBURG, WASHINGTON
PHOTO: CLARK PHILLIP CLEVELAND ►
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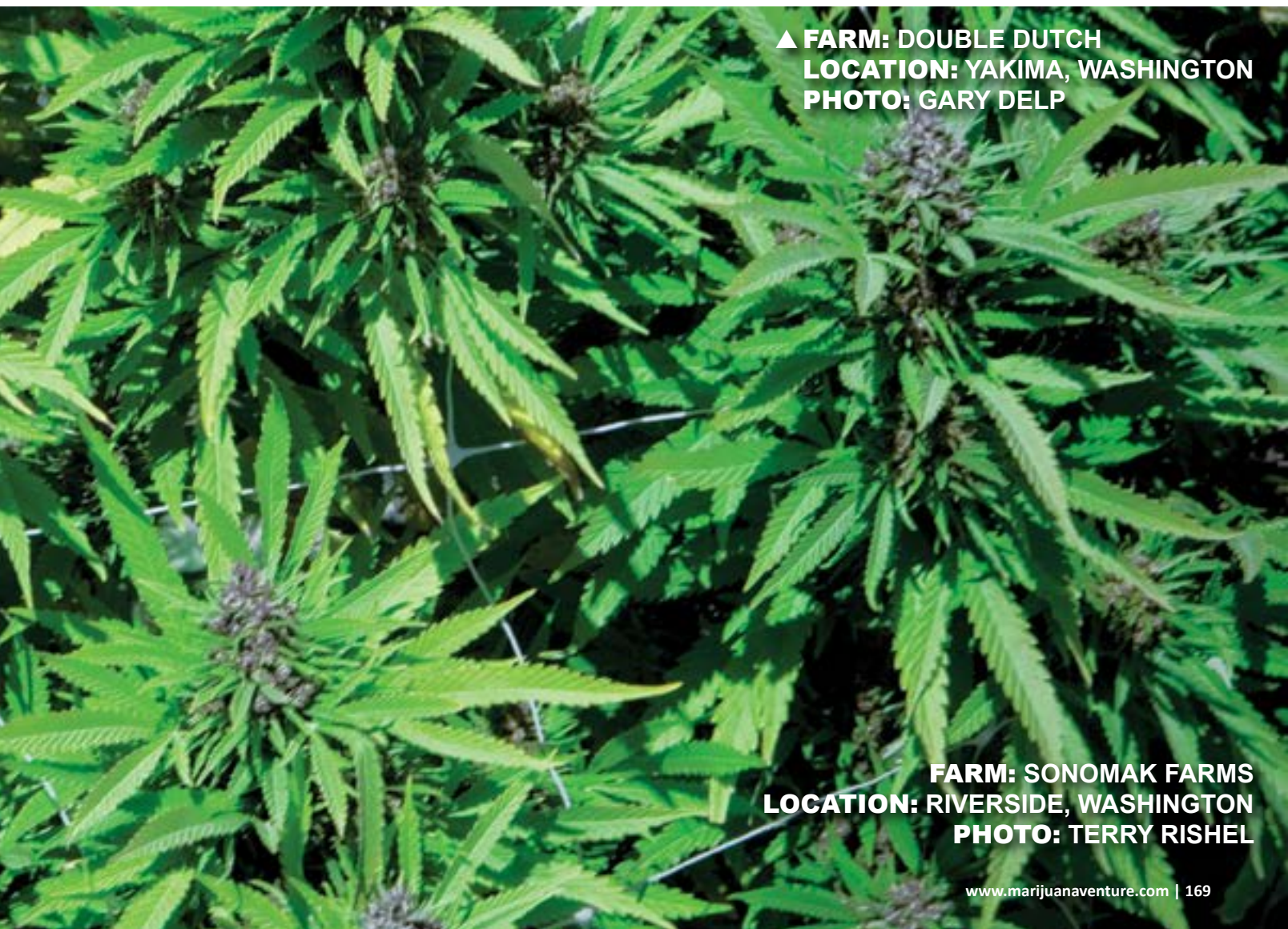


HAROLD FRAZIER
FARM: NEW BREED SEED
LOCATION: COTTAGE GROVE, OREGON
PHOTO: RACHEL CAVANAUGH





FARM: RAINFOREST FARMS
LOCATION: JUNEAU, ALASKA
PHOTO: GIONO BARRETT



▲ FARM: DOUBLE DUTCH
LOCATION: YAKIMA, WASHINGTON
PHOTO: GARY DELP

FARM: SONOMAK FARMS
LOCATION: RIVERSIDE, WASHINGTON
PHOTO: TERRY RISHEL



Valuing a cannabis-related business would not be much different from valuing any other business except that this business is based on a product that is illegal to grow and sell under current federal law.

By **JIM MARTY** and **RON SEIGNEUR**

Busin Normal

When valuing a cannabis business, you can often approach the cash flow analysis with the same formula used in many other valuations: Present value of any asset is equal to the cash flow divided by the risk less growth (as shown in the sidebar at right). The critical issue in the cannabis industry, though, is the lack of reliable historical cash flow information, which requires the application of a discounted cash flow analysis based on projected performance.

As with any business, for a cannabis retail operation or medical dispensary, net income has to be switched to a cash flow by adding depreciation and taking away capital expenditures. You also have to add (or subtract) working capital requirements to get to enterprise cash flow and then take away debt service and add loan proceeds. This brings you to cash flow to equity. Nothing changes in the cannabis industry other than to really understand where these numbers come from.

Given that this business has operated in the open — officially legal first in Colorado — for less than a decade and many businesses have been around for only a few months or years, it is no surprise that there are very few reliable benchmarks in the cannabis industry from the point of view of a business valuation. More information is emerging, but it is anecdotal for the most part and very jurisdictional-specific.

Business appraisers have to come up with workarounds in this situation. Look at what investors expect to receive in the

Business Valuations: as apple pie?

public stock market, add in the additional risk of being invested in this industry, and then apply professional judgment. In a more established industry, an investor might be content with a 20-25% return; in this one — with the regulatory oversight of federal, state and municipal authorities and leasing, banking, cash and security issues — the investor might be looking for a 40-50% return (according to a 2014 interview published by Marijuana Business Daily, “Appraising a Marijuana Business: Q&A With Valuations Expert Ronald Seigneur”).

Other factors to consider include location, competitors, the depth of management and whether it has good operating procedures and a formalized long-term lease. Is there adequate parking, visibility and access? As another example of the radical trends in this sector, enterprises involved in the cultivation part of the industry are seeing very dynamic changes as small, urban-based grow operations migrate to larger commercial — often rural — facilities covering many acres and using state-of-the-art technology.

Thus, a cannabis business valuation is similar to any other in some ways, but the particular issues in the cannabis business can affect the cash flow. Pay close attention to vetting forecasts, taxes affecting the cash flow, the potential liability to the IRS and other risk factors unique to the industry. It is important to recognize that finding a dispensary operator with reliable projections will be unusual.

VETTING FORECASTS

When assessing a forecast in the culti-

vation sector, for example, make sure you tour the facility or the garden; ask what kind of crop the cannabis growers are expecting to have in the next six months and what their annual capacity is. Get a firm understanding of the expertise involved in the grow and how much tenure these individuals have.

An important factor to consider is the number of plants in the ground. With an indoor grow, there will be three or more cannabis harvests a year because cannabis growers plant in phases. The “perpetual garden” practice ensures plants can be harvested and dried weekly. Get a thorough understanding of the lighting scheme utilized and the philosophy of the lead cultivator toward target plant sizes and varieties produced.

Ask about crop failures. Even the best operations can have a crop failure, so find out how many failures they’ve had and why. If crop failures are minimal, the chance of the business being profitable going forward is very much enhanced. Remember, if you grow it, you can sell it, but price points are beginning to moderate in some markets due to increased capacity, better technology and competitive pressures.

Various parts of the plant can be sold — not just the desirable flowers that dry into what are called the buds, but the leaves can be harvested and sold to infused products manufacturers. Ask what the lines of revenue are. Ask about the cannabis growers’ expansion plans.

$$\text{Present Value} = \frac{\text{Expected Cash Flow}}{\text{Discount Rate} - \text{Growth Rate}}$$

TAXES

Generally, when tax affects the cash flow, you want to apply a fairly high marginal rate by taxing the gross profit. If the business has not been handling IRC Section 280E, regarding the deductibility of business expenses, in compliance with how the IRS would like to see it, you may need to book an unrecorded liability for potential IRS audits. If the dispensary has had IRS audits, ask whether they have been resolved. Remember, many dispensaries have only been in operation for a short period, so check for the possible liability of IRS audits. How is 280E handled? If the dispensaries have been ignoring 280E, consider making a valuation adjustment to record potential IRS tax assessments.

RISK FACTORS

When considering risk in a cannabis business, never forget that the federal government considers selling cannabis illegal. You need to understand the Department of Justice memos and the IRS chief counsel’s memo, and consider how they affect your risk.

These memos certainly appear to reduce risk; the Department of Justice is saying, “If the dispensary owner stays compliant, you are actually doing what we want you to do.” In fact, the Cole memo basically quotes the Colorado regulatory system, and the guidance it provides is being prac-

WHO BUYS LEGAL MARIJUANA IN AMERICA?



Legal Sales of Marijuana in America

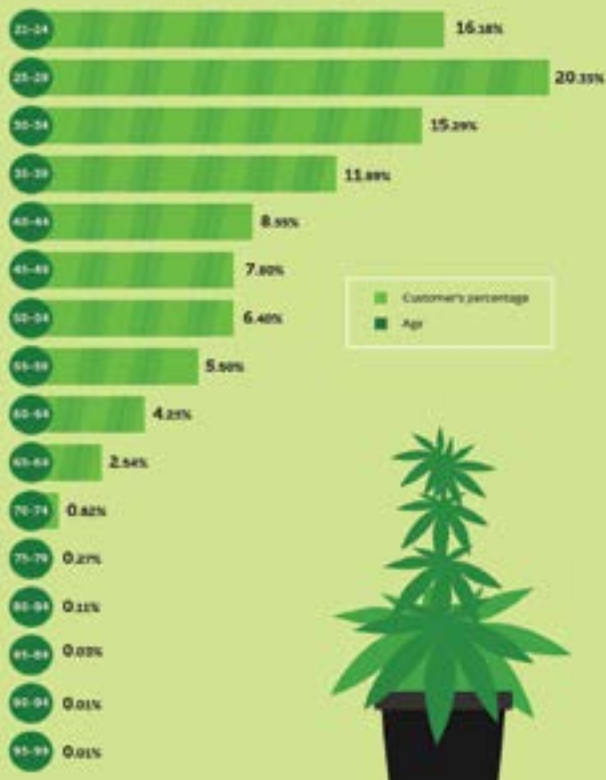
Legal marijuana is the fastest-growing industry in the United States.

\$4.6 BILLION
2014

\$5.4 BILLION
2015

How Old Are Recreational Marijuana Consumers?

While the average customer is 37 years old, marijuana dispensaries serve customers ages 21 to 95.



ticed in Colorado and Washington.

Nevertheless, even if dispensaries are playing by the rules, the Department of Justice is watching. If cannabis businesses break any of the rules — for instance, if the cannabis is consumed or grown on public lands, if it gets into the hands of children or if it crosses state lines — then there is an issue. Residents can legally buy an ounce of cannabis for recreational purposes in Colorado; people from out of state can buy a quarter of an ounce. But there is no tracking of sales. On South Broadway in Denver, you could stop at 10 to 12 different stores and buy a quarter-ounce at each to take back home. It is only a matter of time before somebody gets caught at the airport or at the border. The police on the Kansas and Nebraska borders are watching interstates 70 and 80 for eastbound travelers.

These rules will continue to evolve. That is the conundrum of trying to value the risk.

You have to know your client. You want to make sure your client is ethical and not coloring outside the lines, because you don't want to be involved in that. The vast majority of the people involved in this industry are honorable and want to do the right thing and want to see this industry succeed. On the other hand, the cannabis industry continues to attract some unsavory types, and it is paramount that professionals

working in the space always be on the lookout for client types that are not a good fit. If we have an interview with somebody and we don't have a good feeling, we generally don't take that person on as a client. That is true of any industry, but a bit more relevant in this sector.

An internal controls assessment is essential. Controls must be in place to prevent diversion by employees. Even if the owners are unaware of this activity, it could cost them their license.

CASH ON HAND

How are cash payments handled? Are Form 1099s issued? If it is a retail or wholesale operator, has the business complied with the Form 8300 requirements for large cash deposits? This is a cash-based business, so you want to make sure that the proper Form 1099s are being issued and the businesses have proper internal controls over cash and inventory. How are the businesses handling their cash? How is their banking handled? This industry has had many workarounds in relation to banking.

COMPETITIVE LANDSCAPE

Consider the local area in which the cannabis business operates. A county with a large population may have only one location due to zoning restrictions, and a business there may do very well because

**CONTROLS MUST
BE IN PLACE TO
PREVENT DIVERSION
BY EMPLOYEES**

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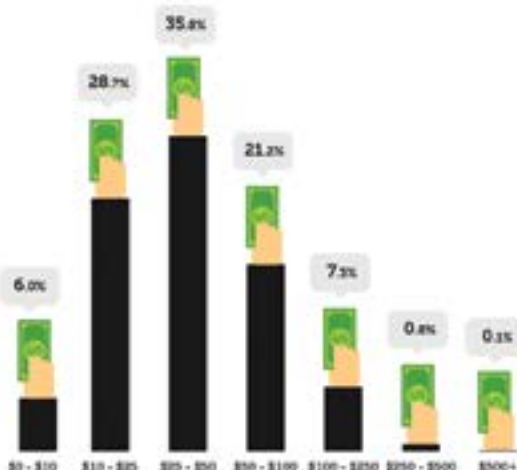


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How Much Money Do People Spend on Weed?

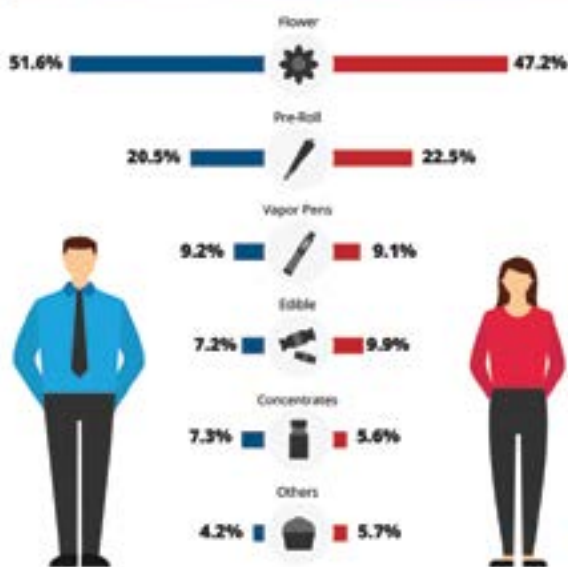
The average marijuana consumer spends \$33 on weed per trip to dispensary.



Shopping Behavior of Customer in Different Age Demographics?



Do Men and Women Buy Similar Products?



of the lack of competition. On the other hand, for example, the South Broadway neighborhood in Denver has a concentration of dispensaries, making for a more competitive environment.

Meanwhile, a dispensary in northern Colorado gets most of its sales from the east because, between there and Kansas (around 300 miles), there are no other dispensaries. Since 2014, it has been legal to sell to out-of-state customers, and we are now seeing cannabis tourism develop in Colorado.

KEY EMPLOYEES

In terms of personnel, the head gardener is very much a key employee. The best chance for success in the business is a very strong gardener working in combination with a good businessman or businesswoman. If the cannabis growers have a gardener with no business sense, this could be a problem. Owners in it just for the money, with no growing skills, are at higher risk, too.

Do the owners have relevant business experience? Is the main gardener an owner? If that gardener quits or is let go, not only will the job be vacant, but also the disgruntled former employee could go in at night and destroy the harvest. Gardeners can be very protective of their genetics. Do any of the owners have lurking personal issues that can jeopardize a cannabis license? If there are multiple owners, do they all get along and work cohesively?

LEASES

Is the lease ironclad? Is there bank financing on the property that could go awry? During your interview with members of management, discuss their lease and their option to renew. How is the building financed? Here is a possible scenario: The rent is paid every month, and the landlord is happy with the tenant. Then the three-year balloon comes up on the mortgage. The landlord goes to the bank to refinance, and the bank representative asks who the tenant is. When the bank finds out the tenant is a cannabis company, it might not refinance unless the landlord kicks the tenant out.

That can happen both at the retail and the wholesale level. If the owners of a cannabis business are going to rent, ask their landlord about the debt structure. You want a building that is free and clear or has private financing. Another option, if it is financially feasible, is for the owners to purchase the real estate for the grow and retail, eliminating the real estate problem.

Another issue can arise when an operation initially granted a medical license then becomes authorized to sell to the retail adult-use market. Have the lease arrangements contemplated this expansion? Anticipating and planning for such contingencies is the only way to avoid adverse consequences.

THE PROBLEM OF BANKS

One reason banks are reluctant to be involved in this industry in the current climate is that, with central bank processing, Colorado checks clear outside the state, in places that do not have legal cannabis. If the federal government stepped in and enforced the law differently, a lot of checks could bounce. Thus, banks need to know a cannabis retail or dispensary client is fully compliant with state laws and that there is complete control of the product from the grow facility to the retail and then to the bank. Armed security guards (where legal) and armored trucks that move the cannabis and cash are a must if the business wants to have access to banking.

It is very difficult for banks to do business with an industry that

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Median Spend Over Last Year	\$647	\$634

is making large cash deposits and operating illegally according to federal law and still comply with their own regulations under the Bank Secrecy Act and anti-money laundering rules.

The Payment Law Advisor website (www.paymentlawadvisor.com) provides an excellent analysis of the current risks inherent for financial institutions in providing services to the cannabis industry in the context of the Treasury's February 2014 FinCEN memo ("Marijuana, Banking and the 10-foot Pole" by Karen Ross). In that memo, the Financial Crimes Enforcement Network aimed to clarify the requirements of the Bank Secrecy Act. In a quest for full transparency, a bill named "The Marijuana Businesses Access to Banking Act" has been introduced in both houses of Congress for a number of years, so far without passage.

If the banking problem were easy to solve, someone would have figured it out by now. There has been a robust cannabis industry in Colorado for seven years, and yet there are only a few banks openly accepting cannabis business clients, and they do not accept new applications.

The hardest bills to pay without a checking account are taxes on payroll. You have to do an electronic funds transfer (EFT) to pay federal withholding taxes. Thus, a cannabis business needs at least one checking account — perhaps a personal checking account used just for those transactions. The rent and other bills are often paid in cash.

One cannabis dispensary owner uses his accounting software to generate checks for his payroll on plain white paper. He tells his employees, "Here is your check, really a voucher, for the last week, \$329.66, printed right here out of Peachtree. Oh, and by the way, there is only one place in the world you can cash that check, and that is at the dispensary counter right here." That way, all payroll records are



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Propelling Cannabis with Public Relations



Employing best practices in PR can help individual businesses and the entire industry separate themselves from negative stigmas

By CYNTHIA SALARIZADEH

With an estimated \$6.7 billion in legal sales projected for 2016, accompanied by rapid changes in pro-cannabis public opinion and more states edging toward legalization, the cannabis industry has become a focal point of national attention.

This presents great opportunities for intrepid entrepreneurs to help shape legislative policy and public opinion. At the individual company level, using best PR practices can help build brands, educate the public, build customer loyalty and drive sales.

BRAND BUILDING

Most new business owners have a dreamer's self-perception that they excel in a certain area, but unfortunately, that perception often is not shared by anyone else.

In the vast majority of cases, branding is a secondary or tertiary activity that is only possible after an identity has been forged. Then, those perceptions have to be shaped into a cohesive message or theme. Only then does a brand emerge as it first gains social value. As the company matures, brand value develops. Brands provide financial value



The Slater Center in Rhode Island displays the numerous baskets collected during a gift drive for the community.

Community service as a marketing tool

Doing good can pay off in more ways than one

By Alexa Divett

When a business implements a well-planned and sustained PR effort, the return on investment can be incredibly valuable.

For business owners who are unable to engage in traditional PR outreach, community service and social media can be used to their advantage. Doing well by doing good is a powerful business concept.

In Oregon, for example, the press no longer cares about new dispensaries opening. There are hundreds within the city limits of Portland alone, with more opening every day. The days of having news agencies attend grand opening parties are long over.

But community service is one way a dispensary owner can create something

because their corporate curators work to make sure the brand delivers on its promises in terms of product quality, corporate operations and service. From start to finish, the brand discovery process could take more than a year. In the interim, businesses should focus on doing their best work for their key audiences. So far, no major brands have emerged nationally as household names in the cannabis industry, even though cultural icons such as Bob Marley, Jimi Hendrix, Willie Nelson and Snoop Dogg have had their names linked with products.

COUNTERING NEGATIVE PERCEPTIONS

As an industry, it is important to remember that powerful, well-established,

**DOING WELL BY
DOING GOOD IS A
POWERFUL BUSINESS
CONCEPT**

vested interests in the judiciary, drug and law enforcement, pharmaceutical and liquor industries oppose decriminalization and legalization. To maintain the status quo and oppose any

grassroots pro-cannabis referendums, these forces will often use disinformation and propaganda.

This was recently exemplified by the intentionally misleading comments from the head of the Drug Enforcement Administration, Chuck Rosenberg.

“What really bothers me is the notion that marijuana is also medicinal — because it’s not,” Rosenberg said. “We can have an intellectually honest debate about whether we should legalize something that is bad and dangerous, but don’t call it medicine — that’s a joke.”

Since the DEA has a vested interest in keeping cannabis illegal, it is not surprising that the agency is using its political power to discredit and stigmatize the cannabis industry.

BEING PROACTIVE

Since the industry has been vilified and stigmatized for so long, public relations should be more aggressive at public education and confronting intentional disinformation campaigns. The good news is that there are a number of very popular cannabis-related initiatives involving military veterans, judicial reform, cancer patients, people in chronic pain and efforts to expunge the convictions of felons with non-violent cannabis arrest records who have not been rearrested.

Most of these issues have political support from Libertarians, Democrats and some Republicans. But that alone does not translate into real-time progress. Again, established corporate, political and judicial forces want change to be slow since people in power benefit from the status quo. If the cannabis industry wants to enjoy its day in the sun, it will have to push hard to advance the political process past its glacial, evolutionary pace.

BUILDING REPUTATIONAL CAPITAL

As a new industry, cannabis business owners have the chance to start afresh as they build their corporate credibility.

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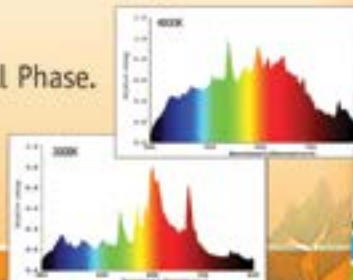
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newsworthy that will make journalists excited.

With some creative thinking, social media savvy and the desire to foster goodwill within their community, businesses can create a buzz about their product or service.

Social media is a personal public relations tool. Businesses no longer need to rely solely on PR professionals and journalists for publicity. However, social media accounts that only focus on promotion can make their audience deaf to the message and journalists bored by the pitch. The key to any public relations and social media campaign is letting the community, key influencers and local journalists know about the good work that is being performed.

Here are a few ways different cannabis companies can draw attention to themselves, while positively impacting their communities.

Dispensaries:

Offering educational events, free medicine for underserved patients, financial assistance for those needing a medical card or community outreach such as food drives, cancer support groups or wheelchair repair gives business owners a much better shot of landing an interview with a local news outlet. (Regulations vary from state to state, so businesses should make sure they're not breaking the law before giving away free products.)

Garden supply store:

Although grow stores are not restricted in the ways that dispensaries, growers and processors are, it never hurts to have a community-focused public relations campaign as a marketing strategy.

A garden supply store could dedicate a patch of garden space to growing food for homeless or underserved members of their community.

Topical manufacturers:

Instead of hoping that people will learn about new products from their favorite budtender, topical manufacturers can host events where they give away free products at a neighborhood dispensary to people who have chronic pain, and then ask those people to give a testimonial on their social media accounts.



Snoop Dogg, one of the many entertainers with ties to the marijuana industry, checks out a glass gun-pipe during a visit to Clear Choice Cannabis in Tacoma, Washington.

This is another way of saying a corporation has to behave ethically, not only for moral reasons, but because it is good business.

Studies have found that corporate credibility is one of the most important issues facing corporations today. This is because a company's reputation impacts its sales; a survey found that four out of five Americans consider a company's reputation when they choose to buy a product. Reputation also influences investing patterns and public opinion. For instance, when a company states its good intentions to resolve a problem, it makes public opinion more positive.

SOCIAL POWER

The cannabis industry has the ability to be socially transformational. The industry is emerging with a very new set of independent, young entrepreneurs who come from a variety of backgrounds and have been well-exposed to America's counter-culture for years. While it may be an exaggeration, it's safe to say the cannabis industry today is not Brooks Brothers, wing-tip, corporate America. While I have not seen any formal studies, I would guess it is decidedly democratic and liberal, or leaning toward libertarian, with multi-racial and multi-gender roles at the forefront.

An analogy can be made between the cannabis industry and the fracking industry, which took the Seven Sisters oil monarchs by surprise. Wildcaters working in the shadow of the big oil companies devised revolutionary oil-drilling techniques, such as horizontal drilling and experimental methods to break apart shale thousands of feet under the surface to extract oil and natural gas. In the process, they revolutionized

oil exploration and did a complete end-around the major global oil companies.

Without extending this analogy too much, the cannabis industry has the ability to propel pharmaceutical research; the entertainment, music and food industries; as well as environmentalism. In the process, it will rely on grassroots social participation to reshape the nation's antiquated anti-cannabis laws at all jurisdictional levels. This represents a major political coup, which has more potential impact on the nation than all the smoke the Tea Party has made thus far.

IMPACT OF THE INTERNET

It's important that professionals in the cannabis space recognize that the Internet has fundamentally changed PR practices. PR is no longer based on exclusive access between a select group of PR people and reporters. Instead, any company can electronically tell its story directly to current and potential customers. Companies of any size can sell their products worldwide. The Web is also well-suited for viral marketing, which is an organic and often spontaneous grassroots consumer event that publicizes a product or process. However, this landscape is very much a pay-to-play landscape. So, the amount of marketing dollars available to your brand dictates the scope and impact of such campaigns.

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Growers & processors:

There are many sick and disenfranchised people in every community and the cost of medical cards and medical marijuana can be too expensive for some patients. Growers and processors can create a newsworthy story by sponsoring patients and helping them with the costs associated with obtaining a medical card, or by donating cannabis to existing cardholders.

There are many ways cannabis business owners can generate press through community relations. All it takes is a genuine desire to help people, a little creativity and the willingness to reach out to influencers and journalists through social media and the good old-fashioned telephone.

Alexa Divett (www.alexadivett.com) is a business coach and marketing strategist who helps cannabis business owners achieve success through the implementation of sound business practices and time-tested marketing techniques.

‘CANNABIS’ DOESN’T HAVE THE STIGMA OF OLDER TERMS

establish a reputation as thought leaders by writing white papers on a topic related to their core business or expertise. White papers can make a case for taking an action or provide information; however, they should not be product-centric.

USE THE RIGHT TERM: CANNABIS

Language is very important in all forms of communications, and the cannabis industry is no exception. In general, the industry should avoid referring to cannabis as marijuana, pot, weed, reefer or any of the plant’s other slang terms. Cannabis doesn’t have the stigma of older terms and should be used as the plant gets more recognition from the scientific and pharmacological communities.

Employing best practices in PR can

help make the cannabis industry larger and more respected at the national level, while simultaneously building revenues and brands at the company-specific levels. This is a great opportunity to help shape a dynamic, transformative industry and PR will play an increasingly important role as the industry develops.

Cynthia Salarizadeh is the founder and CEO of Salar Communications Group. She entered the cannabis industry to focus on improving the perception of cannabis through strategic campaigns that sit at the center of the battle for legalization and economic prosperity. She has a bachelor’s degree in international relations with a minor in modern Middle Eastern studies from the University of Pennsylvania.

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Before you build

Three key real estate tips for cannabis entrepreneurs

By DIANE CZARKOWSKI

Real estate is one of the most important considerations for anybody operating a cannabis business. It is one of the first factors entrepreneurs should consider before applying for a business license.

Currently, the market is very competitive. Cannabis is a multi-billion-dollar industry that will continue to grow at an exponential rate. When I opened my first dispensary in 2009, all I had to do was fill out a one-page sales and use tax certificate and I was in business. Today, appli-

cations can be thousands of pages, and often there are 10 times as many applicants as there are available licenses, so finding the right property is essential to your success.

Here are three steps to turn your property investment into a prosperous endeavor.

1

Assemble Your Team

A knowledgeable real estate agent and a local general contractor will have the expertise and the connections to help you find the right property. Their comprehensive understanding of local building and zoning department processes will prove invaluable in getting things done quickly. This might not save you any money, but it will save you the legwork and put you one step closer to building a successful cannabis business.

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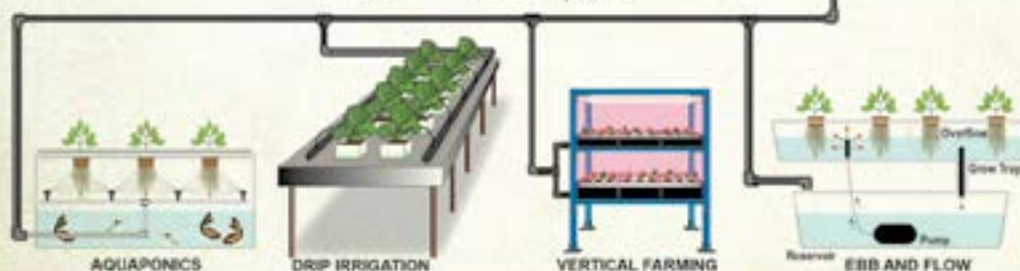
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Research State Rules and Regulations

Even before real estate regulations have been released, there are some good rules of thumb to follow to ensure your location meets requirements.

- Most states have adopted a 1,000-foot rule, meaning that a cannabis operation (dispensary, processor, cultivation facility or laboratory) cannot be within 1,000 feet of a zoned residential area, school, day care, place of worship or public park.

- In some states, local municipalities will have their own regulations and requirements, such as special use permits, traffic impact studies and town hall meetings.

- If you're constructing a dispensary, keep in mind seven key factors during the build-out: adequate handicap access, safe entry, patient area (lobby), limited access area (where cannabis is dispensed), restricted access area (where cannabis is stored), secure safe room and a safe receiving area.

- Consider greenhouse versus warehouse options for your cultivation facility. Greenhouses generally cost less and take less time to build. They are also more energy efficient, while still providing the necessary level of security.

3

Invest in the Community, Win as a Business

Real estate is much more than a property; it is your community connection as a business. You can have the perfect location with all your desired features, but you still need community support to succeed. Here are some innovative ways to make a positive impact in your neighborhood.

- Attend any community-based meetings so your neighbors know your intentions. Make sure you are professionally prepared with an agenda that explains your business plan and provides educational data on cannabis.

- Research opportunities and partnerships where you can participate, such as

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Realizing the value of real estate in the cannabis industry, Tom Buggia set up Columbia Valley Farms in Othello, Washington, which now houses 16 licensed grow operations. Photo by Ken Pedevilla.

put people in your area to work; reach out to local universities and post ads for local residents to find employees. Make sure diversity is part of your focus.

- Find out your community's needs and volunteer. If opioid addiction is a concern, consider supporting a local addiction and recovery center.

The cannabis industry is not just a new industry, but a new kind of industry. It originated in grassroots advocacy and is deeply connected to a diverse community of patients, activists, consumers and entrepreneurs. If you are serious about joining this industry as a business owner, start out on the right foot with the right plan.

Diane Czarkowski is a founding partner of Canna Advisors, a cannabis consulting firm with a track record of serving businesses in competitive, emerging markets. An industry leader and insider, she owned one of the first dispensary and cultivation operations in Colorado and has more than a decade of experience in real estate development. She can be reached at info@thinkcanna.com.

getting involved with a local community garden.

- Sponsor educational classes to increase knowledge about the medical benefits of cannabis for patients, doc-

tors and community members. Or work with the local emergency responders to create a class on drug safety in the home.

- Work with a job placement agency to

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EMPLOYMENT

Want to avoid hiring criminals?
Businesses must follow laws
regarding background checks
for job applicants

By CATHARINE MORISSET

Cannabis businesses understandably want to protect their product — and for retailers, the on-hand cash — from theft. All employers have an interest in a violence-free, safe workplace for their employees, and they want to mitigate against negligent hiring claims. With these goals in mind, many employers go to the extreme and conduct criminal and credit background checks on all prospective employees and ban anyone with a poor history. This is dangerous. A host of local, state and federal laws limit an employer's ability to dig up dirt on prospective hires.



LEGAL LIMITS

Employers first need to seek out advice as to what laws apply — generally governed by the laws where operations are located and where their employees work. They are not all the same.

Some state laws, including those in California, restrict or prohibit the use of criminal background checks. Washington state only allows employers to conduct credit checks if it is “substantially job-related” and the reasons are disclosed in writing. Oregon and the city of Seattle both prohibit any inquiry about criminal convictions on the job application or as an initial applicant screening tool. The sub-

tleties and differences of state and local laws are best left to an employer and its legal counsel to determine best compliance methods.

NO BLANKET PROHIBITIONS

Employers should next become familiar with the Enforcement Guidance issued by the Equal Employment Opportunity Commission (EEOC), the federal agency charged with enforcement of anti-discrimination laws. People with criminal records are not a protected class, but the EEOC believes employers face liability based on two legal theories: “disparate treatment” or “disparate impact.”

Disparate treatment occurs when an employer treats a person in a protected category differently than someone who is not in that same category, such as hiring a white man, while rejecting a black man with the same conviction. A disparate impact can exist when an employer’s apparently neutral policy has the effect of disproportionately screening out a protected class. The EEOC assumes that arrest, and even conviction statistics, demonstrate a disproportionate, or “disparate,” impact on people of color. Hence, the EEOC frowns on any blanket prohibition of candidates with arrest records, and allows convictions to be considered under only

66 CAN A COMPANY DEMONSTRATE AN INCREASED LIKELIHOOD THAT APPLICANTS WITH A THEFT CONVICTION ARE MORE LIKELY TO STEAL?

specific circumstances. Many states, including Washington, agree.

Thus:

- Ignore arrest records. Using arrest records has a disparate impact on African-Americans and Hispanics and thus violates anti-discrimination laws. So, don't even ask.

- No blanket "any conviction" prohibition standard. A policy denying employment to all applicants with criminal conviction records violates Title VII.

After an employer lawfully learns of an applicant's criminal conviction, that company must consider: (a) the nature and gravity of the offense; (b) the time that passed since the offense or conduct and/or completion of the sentence; (c) and the nature of the job. The employer should consider the applicant's age at the time of conviction; evidence that the individual performed the same type of work, post-conviction, with no incidents of criminal conduct; the length and consistency of employment history before and after the offense; rehabilitation efforts, such as education and training; employment and other information regarding their fitness for the particular

position. Employers also need to be able to articulate how the conviction is related to job performance and consistent with business necessity. It is even better if they can defend their decision with research, evidence or statistics. For example, can a company demonstrate an increased likelihood that applicants with a theft conviction are more likely to steal than applicants without one? The bottom line is that this decision should be an individualized analysis and the employer must be able to give reasons for it beyond not wanting to hire felons.

There is one "easy" situation where other applicable laws prohibit individuals who have been convicted of certain crimes from working in the cannabis industry. In Washington, for example, licensing rules put limits on felony convictions for certain "real parties in interest." Again, the prudent employer will seek advice on any unique prohibitions that might apply to the job in question.

GET PERMISSION

If employers are conducting background checks themselves, they will need to comply with the federal Fair Credit Re-

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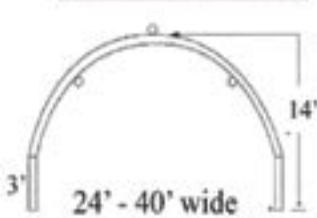
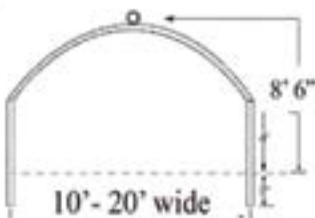
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porting Act and similar state laws. Those rules — too complex for this article — essentially require employers to give an applicant notice that they intend to reject an application based on a conviction, as well as time for them to give an explanation and how to correct errors.

Even if employers engage a third-party background check company, they still need a lawful authorization, and it is wise to give the applicant a chance to disclose the conviction. Employers located in a jurisdiction that allows for conviction inquiries on a job application should consider adding the following phrase: “Answering ‘yes’ to any of these questions does not constitute an automatic bar to employment. Among other things, we will consider the nature and gravity of the offense or conduct; the time that passed since the offense or conduct and/or completion of the sentence; and the nature of the job you are seeking. If you answer ‘yes’ to any of the following questions, be sure to provide an explanation.”

Better yet, employers should have their attorneys review job applications, background check authorizations and any

questionnaires they intend to have prospective employees complete.

NEXT STEPS

The following checklist will help employers get started with a background check program or audit an existing one.

1. Understand which federal and state laws apply.
2. Develop a policy that is compliant and practical, and allows for individualized decisions.
3. Revise employment applications and applicant authorizations.
4. Develop internal procedures for individualized analysis and protecting applicant confidentiality.
5. Understand notice obligations to the applicant — both before conducting the check and upon learning of a conviction.

At the end of the day, the use of criminal background checks can be an effective risk management tool. Just remember, they must be done carefully and in compliance with applicable laws — before conducting applicant checks.

Catharine Morisset is an attorney in the Seattle office of Fisher & Phillips, LLP, a

national law firm committed to providing practical business solutions for employers’ workplace legal problems. She can be reached at cmorisset@fisherphillips.com. The firm only handles labor and employment law, with more than 350 attorneys in 32 offices, including Washington, Oregon and Colorado. This article is not intended as legal advice. Please consult an employment attorney for guidance on your specific situation.

This is the fourth article of Marijuana Venture and Fisher & Phillips’ multipart series addressing key legal issues for cannabis industry employers. In the December 2016 issue of Marijuana Venture, the next article in the Employment Law 101 series will address the pitfalls of employee tip pools for cannabis industry employers. Previous articles have focused on best practices for drug-testing prospective employees and wage and overtime laws. Articles and back issues can be found at www.marijuanaventure.com.

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A defining moment for LA's cannabis economy

Now is the time to address the inadequacies of Prop. D

By Michael Chernis



With the Adult Use Marijuana Act (Prop. 64) likely to authorize recreational cannabis activity in California, it's time to clean up another law that is fraught with loopholes and contradictions.

In October 2015, Governor Jerry Brown signed into law a framework for the state licensure of commercial cannabis activity called the Medical Marijuana Regulation and Safety Act (MMRSA). It created licenses for cultivators, dispensaries, transporters, labs, manufacturers and distributors. These licenses are expected to be available in January 2018. While the MMRSA has its detractors and drawbacks, it was at least a first step in ending the legal confusion that has plagued California's cannabis industry since the passage of Senate Bill 420 in 2003.

One significant wrinkle of the MMRSA is its dual licensing requirement; in order to obtain a license from the state, an applicant must first obtain a local license or permit where they want to operate. Allowing for such local power was a necessary concession in order to obtain sufficient support by municipalities for the legislation. Prop. 64, which is on the November ballot, similarly vests municipalities with the power to permit or prohibit cannabis businesses.

Thus, cities and counties throughout California are deciding whether to allow local commercial cannabis permits — and the tax windfall sure to follow — or whether to maintain prohibition. How that process unfolds varies by municipality, since each locale will decide how to award a select number of permits that could be worth untold millions. Some cities are already being accused of engaging in favoritism or worse, while others are engaging in a more thoughtful and transparent process.

Perhaps nowhere is this process more important for the future of the canna-

bis industry than the city of Los Angeles, with its 4 million residents and the fourth-largest economy in the nation. By comparison, the entire state of Colorado, which has an incredibly successful cannabis program, has 5.4 million residents and its economy is 18th in the nation. Without Los Angeles on board, both the MMRSA and AUMA will likely fail to achieve much success.

This puts pressure on the Los Angeles City Council to formulate new laws to encourage the growth and further legitimization of the new cannabis economy. A misstep could have dire consequences. How

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can an industry succeed when its biggest market creates obstacles to efficiency, production and distribution? Given the city's track record of marijuana business regulation, there is cause for concern.

For years, Los Angeles has waged a flawed, confusing and schizophrenic policy when it comes to cannabis businesses. The current state of affairs is known as Proposition D. Passed by a record low number of voters in May 2013, it bans all marijuana businesses in the city, while providing limited immunity from prosecution

for a small subset of dispensaries that have been operating since 2007.

This has been an epic failure. The so-called Prop. D dispensaries complain that the city has failed to enforce the law and eradicate hundreds of non-compliant storefront dispensaries. Taxpayers have wasted millions of dollars funding raids by the Los Angeles Police Department and lawsuits against marijuana businesses. Scores of cultivation, manufacturing, delivery and other tax-paying businesses have been prosecuted, threatened with prosecution, or chased into the shadows for conduct that is, at the very least, tolerated in other cities and legal under state law. Consumers are confused about which businesses are legal, and they're made to feel like pariahs because Prop. D perpetuates the idea that medical marijuana is not legitimate. It allows law enforcement to use Gestapo tactics to enforce what amounts to zoning violations.

Moreover, Prop. D has sought to artificially constrain a market that can support hundreds of dispensaries, as well as cultivators, manufacturers and other related businesses that employ local residents. It's hard to conceive of any other legal industry where elected officials would arbitrarily disallow 90% of the businesses seeking to lease property, pay taxes, employ labor and generate other economic benefits to operate. The only winner created by Prop. D has been the Los Angeles City Attorney's Office, which now has a separate unit devoted to marijuana business prosecutions, along with a significantly bloated staff of attorneys.

Nevertheless, there is some hope on the horizon.

The City Council issued a report last month that provides new avenues to replace Prop. D. The options range from a complete ban on all businesses, to allowing licensure of only the so-called Prop. D dispensaries, to creating licensing opportunities for more dispensaries and other businesses. The City Council has indicated that it wants guidance from the businesses and other stakeholders in terms of the right number of dispensaries and other common-sense restrictions. Council president Herb Wesson Jr. has emerged as a leader on this issue, and at a hearing last month acknowledged the failures of Prop. D, and the lack of business diver-



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“ANYONE WITH A BRAND OR BUSINESS IN THE CANNABIS INDUSTRY WILL UNDOUBTEDLY BE IMPACTED

sity. He promised local hearings to obtain input from the stakeholders in order to get things right this time around.

To date, the commercial cannabis industry in Los Angeles has been a two-class system. The Prop. D dispensaries enjoy a privileged status, and many of them would like to see the status quo continue. To that end, many of the Prop. D dispensaries have banded together as part of a trade association known as the UCBA, and lobbied the city to pass a measure that would ensure their survival, without regard to creating opportunities for new dispensaries or cannabis businesses. However, one of the problems with that approach is that it will do nothing to cure many of the problems perpetuated by Prop. D, including the lack of racial diversity in the business sector.

The LA Cannabis Task Force, whose membership consists of all types of dispensaries, is urging the city to adopt an approach that will allow licenses in all business sectors addressed by the MMR-SA and AUMA, welcome new entrepreneur participation — especially among

minorities — and work in partnership with the industry to create new regulations and enforcement, much like the successful programs in Colorado.

What emerges from this process will have a significant impact on the economy of Los Angeles for years to come. It is a tremendous opportunity for the city to be a player in the new cannabis economy and help turn the page on an era of prohibition and failed policies from the War on Drugs. Anyone with a brand or business in the cannabis industry will undoubtedly be impacted by this.

Michael Chernis is the founder of Chernis Law Group P.C., located in Santa Monica, California. He is an attorney with more than 20 years of experience, having spent 14 years working for several of the most prestigious law firms in New York City before moving to Los Angeles in 2008. He represents collectives, dispensaries, cultivators, manufacturers and other medical cannabis clients. He can be reached at michael@chernislaw.com.



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Steer clear of common cannabis investment scams

Be sure to properly vet all business opportunities

By Lauren Rudick



There have been a slew of enforcement actions against regulated cannabis companies engaging in alleged securities fraud, and the harm caused to investors

could have easily been prevented.

In July, the cannabis industry saw its first formal state securities fraud investigation into a regulated business.

Tisha Siler, CEO of Cannacea, a Portland, Oregon dispensary, was fined \$40,000 by Oregon state regulators for multiple alleged violations of state securities laws. Among other things, Siler was found to have participated in fabricating a forged letter from the Oregon Health Authority, which “thanked” her for treating Oregonians and awarded her up to six dispensaries without any bureaucratic red tape. While the extent to which investors relied on this letter varied, four investors were duped into handing over a total of \$225,000 toward her build.

Siler blamed the matter on Green Rush Consulting, the advisers she engaged to help her raise funding, and claimed that she never reviewed the offering documents that they prepared. (Notably, the Green Rush consultant she worked with had been previously incarcerated for fraud.) Electronic evidence showed that Siler reviewed and revised the paperwork herself. Siler denied having prepared the fraudulent letter or having it prepared on her behalf; yet forensic analysis on the letter pointed toward Siler and Cannacea. To date, an appeal is pending.

Later in July, Oregon regulators also fined Todd Grange \$60,000 for violating state securities laws. Regulators alleged that Grange promoted a website that offered investors a \$150,000 return on a \$10,000 investment in THC Pharmaceuticals (THCP). Grange allegedly told prospective investors THCP had been active

for five years, had raised \$9 million from 27 investors, and was slated to merge with a publicly traded company. The investigation revealed that THCP didn’t even exist; it’s capital raise was false, it had no plans to merge and it apparently never obtained certification of organization from the state.

On Sept. 16, the U.S. Securities and Exchange Commission announced fraud charges against Fusion Pharm, its CEO and an attorney in an alleged scheme involving stock sales and financial filings of a company that manufactures PharmPods grow containers. These charges run parallel to criminal action brought by the U.S. Attorney’s Office for the District of Colorado.

Investors were allegedly misled into believing that stated revenues resulted from PharmPod sales when, in fact, revenues had been recorded and trumpeted from the illegal sale of restricted stock by hidden affiliates. Typically, attorneys are responsible for those fraudulent statements that may be directly attributable to them. Here, the attorney is alleged to have issued opinion letters falsely stating that the restricted stock may be properly sold on the open market.

The press coverage on these securities violations has been focused on scheming entrepreneurs and their lies and subsequent punishment. Nonetheless, there was poor decision-making on both sides of the money. Here is a rundown of five simple steps that would have keyed prospective investors into the frauds perpetrated by Cannacea, THCP and Fusion Pharm.

1. The most common and easily spotted fraud is the promise of high returns with little to no risk. Unlike public offerings, private placements frequently do not require extensive disclosure requirements, but investment documents that do not identify a single risk are an instant red flag. Aggressive sales tactics could also signal a potential scam. Proper financial

diligence takes time, and reputable brokers will respect the process.

2. When reviewing proposed transaction documents, the easiest “fact” to verify is whether the company soliciting investment is in good standing with its state of organization. To operate, corporations and LLCs must register with and report to the state of organization. This information may be found by conducting a company search on the applicable Secretary of State website.

3. The credentials of investment professionals (brokers and investment advisers) are also publicly available on FINRA’s Broker Check and the Adviser Public Disclosure website. Even a simple Internet search may reveal prior infractions. Be wary of unverifiable or missing biographies of managers or anyone who does not volunteer their credentials upfront.

4. The company should care who its investors are. Private placements are typically available for accredited investors only. If the target company has not presented investors with an accredited investor questionnaire or asked them about their financial qualifications, something is likely amiss.

5. Transaction documents should look and feel professional, and proper issuers rarely attempt an offering alone. A properly prepared investment package typically requires labor intensive documents and other submissions by lawyers, accountants and possibly brokerage firms, all of whom should be disclosed to, and available to speak with, prospective investors. Documents that appear to have been hastily prepared, or have spelling, grammatical or formatting errors, should signal that the issuer may be unreliable.

In many respects, the existence of regulatory enforcement signals the maturity and legitimacy of the regulated cannabis market and is a cause for celebration. Investors must remain vigilant and rise to the occasion.

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.

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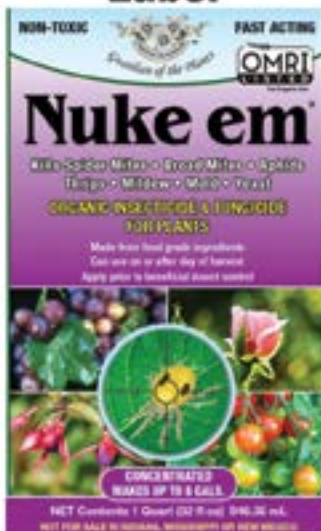
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Congressional spending and what it means for marijuana

Court win indicates progress, but not an outright victory

By Melissa Chapaska



On August 16, 2016, the 9th Circuit delivered a big victory to state-legal marijuana growers and suppliers when it ruled that the U.S. Department of Justice is restricted by Congress from spending funds to prosecute medical marijuana businesses that are compliant with state law. The case, *United States v. McIntosh*, consolidated 10 district court appeals by medical marijuana growers and dispensary operators in California and Washington who were facing federal indictments for violating the Controlled Substances Act. The indictments stemmed from the individuals' involvement with state-legal medical marijuana operations, including the popular Hollywood Compassionate Care dispensary in California.

Following their indictments, the medical marijuana growers and suppliers filed interlocutory appeals and writs of mandamus seeking dismissal or to enjoin their prosecutions on the basis of Section 542 of the Consolidated Appropriations Act. The businesses argued that Section 542, which prohibits the DOJ from using the congressionally allocated funds "to prevent any of (the states) from implementing their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana," bars the DOJ from prosecuting private individuals involved with state-law compliant medical marijuana operations.

The DOJ defended the indictments based on its interpretation of Section 542 as merely prohibiting the agency from pursuing legal action against a state itself for violations of the Controlled Substances Act, and did not divest the agency of its authority to prosecute private individuals involved with state-legal medical marijuana businesses. The agency argued that its prosecution of private individuals does not interfere with the states' ability

to implement their laws; therefore, enforcement of the Controlled Substances Act against private individuals is not protected by Section 542.

While the 9th Circuit found that Section 542 was "not a model of clarity," the three-judge panel found in favor of the appellants' interpretation. The court agreed with the appellants' argument, but it refused to dismiss the indictments, clarifying that Section 542 did not apply to the DOJ's authority to prosecute individuals who were not in strict compliance with state medical marijuana laws. As a result, the court held that the individuals in the *McIntosh* case are entitled to an evidentiary hearing to prove that they "strictly complied with all relevant conditions imposed by state law on the use, distribution, possession, and cultivation of medical marijuana." If the appellants are unable to show strict compliance with state law, the DOJ may move forward with the prosecution. Although far from divesting the DOJ of its authority to enforce violations of the Controlled Substances Act, the *McIntosh* decision dealt a blow to the DOJ's interpretation of Section 542 and pending enforcement actions.

HISTORY REPEATS ITSELF

The *McIntosh* court refused to consider the legislative history of Section 542 and focused only on the text of the rider. However, the history of the spending restriction sheds light on the complicated relationship between the federal government and those involved with state-legal medical marijuana.

The congressional spending restriction on the DOJ's prosecution of state law compliant medical marijuana growers and suppliers began in 2012 as the Rohrabacher Amendment, which failed to pass the House by a 262-163 vote. By May 2014, the then-called Hinchey-Rohrabacher Amendment passed the House with a strong bipartisan showing of 49 Repub-

licans joining 170 Democrats in support of the amendment. Likely signifying the shift in political attitude toward medical marijuana, it was the first time either chamber of Congress voted in favor of a measure to relax federal marijuana laws or enforcement.

The Hinchey-Rohrabacher Amendment became Section 538 of the Consolidated Appropriations Act of 2015. But, despite the passage of the spending restriction, bipartisan support and the existence of the Cole memo, the DOJ continued pursuing state-legal medical marijuana ventures. In a guidance memo sent to federal prosecutors in February 2015, DOJ Appellate Section Chief Patty Merkamp Stemler summarized the DOJ's stance that the appropriations law did not "bar the use of funds to enforce the CSA's criminal pro-

THE MCINTOSH DECISION DEALT A BLOW TO THE DOJ'S INTERPRETATION OF SECTION 542

hibitions or to take civil enforcement and forfeiture actions against private individuals or entities."

In fact, the *McIntosh* case was not the first time the DOJ challenged the congressional spending restriction to enforcement actions against private individuals operating medical marijuana businesses. In *United States v. Marin Alliance for Medical Marijuana*, the Northern California District Court addressed the spending restriction's applicability to DOJ's enforcement of a permanent injunction against the Marin Alliance, a medical marijuana dispensary, and Lynette Shaw, a dispensary operator. The 2002 injunction ordered the Marin Alliance to cease distribution of cannabis and included a lifetime ban on Ms. Shaw from operating another dispensary. Despite the injunction, the Marin Alliance continued operations without interference until 2011, when the DOJ

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issued cease and desist letters and initiated forfeiture proceedings. The DOJ eventually settled with the dispensary's landlord and the Marin Alliance ceased operations. But, due to the passage of the original Hinchey-Rohrabacher Amendment, the legal battle was far from over. Ms. Shaw and the Marin Alliance filed a motion with the Northern California District Court to dissolve the injunction. Similar to the 9th Circuit's finding in the McIntosh case, the court held that the 2015 congressional spending restriction precluded the DOJ from expending funds to enforce the injunction without the dispensaries being in violation of state laws. Like in the consolidated McIntosh cases, the DOJ argued that the congressional spending restriction was not designed to protect individuals and businesses, only states. The Northern California District Court admonished the DOJ's interpretation of the congressional spending restriction. Unlike the 9th Circuit, the district court considered

the legislative history of Section 538, finding it "points in only one direction: away from the counterintuitive and opportunistic meaning that the DOJ seeks to ascribe to it now" and that "it defies language and logic for the Government to argue that it does not 'prevent' California from 'implementing' its medical marijuana laws by shutting down these same heavily-regulated medical marijuana dispensaries."

Despite the scathing decision in the Marin Alliance case, the permanent injunction against the Marin Alliance survived. The court modified the injunction to allow activities that are legal under state law, but it did not go so far as to dissolve the injunction due to medical marijuana's status under the Controlled Substances Act. The DOJ initially appealed the Marin Alliance decision to the 9th Circuit; however, the DOJ abandoned the appeal earlier this year.

During the Marin Alliance litigation, the U.S. House voted to reauthorize the

congressional spending restriction, now titled the Rohrabacher-Farr Amendment, again with bipartisan support.

After its journey through Congress, the Rohrabacher-Farr Amendment ultimately became Section 542 of the Consolidated Appropriations Act of 2016 and central to the 9th Circuit's decision in the McIntosh case. However, even following the reauthorization of the spending restriction, questions loomed as the DOJ continued medical marijuana prosecutions based on its insistence that Section 542 does not extend to enforcement actions against individuals or organizations.

The sponsors of the Rohrabacher-Farr Amendment, Reps. Dana Rohrabacher (R-Calif.) and Sam Farr (D-Calif.), urged the DOJ to cease its prosecution

of state-compliant medical marijuana operations. As prosecutions continued, the sponsors openly criticized the DOJ's restricted interpretation of the appropriations law in a letter to then-Attorney General Eric

Holder in April 2015: "As the authors of the provision in question, we write to inform you that this interpretation of our amendment is emphatically wrong" — a conclusion with which the 9th Circuit in McIntosh agreed.

THE WAR RAGES ON

Despite the McIntosh decision, the federal government has not been stripped of its power under the Controlled Substances Act. In fact, the application of the 9th Circuit decision in the McIntosh case is substantially limited.

First, the 9th Circuit ruling does not bind courts outside of the jurisdiction of the 9th Circuit — a relevant consideration as a growing number of East Coast states have implemented, or are in the process of implementing, medical marijuana programs. For now, East Coast states, like Pennsylvania in the 3rd Circuit, cannot rely on the McIntosh ruling if the DOJ begins enforcement actions against state-legal entities.

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Furthermore, the 9th Circuit's ruling and the perceived protections afforded by Section 542 extend only to individuals and businesses in strict compliance with state medical marijuana laws. The 9th Circuit rejected any implication that Section 542 requires the federal government to step back and allow states exclusive control over medical marijuana suppliers who are not in compliance with state law. The DOJ retains the ability to prosecute any individuals that fail to comply "with all relevant conditions imposed by state law on the use, distribution, possession, and cultivation of medical marijuana."

As illustrated in the McIntosh case, the DOJ may still initiate enforcement actions against medical marijuana organizations and affiliated individuals, with the caveat that they are entitled to an evidentiary hearing to prove they are in full compliance with state law. While the McIntosh ruling is not directly applicable to DOJ enforcement in East Coast states, prospective businesses and individuals

involved with medical marijuana in those states should not take state law or the Department of Health's regulations lightly. Strict state law compliance may be the deciding factor to avoid federal prosecution.

Finally, while the spending restriction has had bipartisan support in Congress, the Section 542 prohibition can be eliminated by Congress. As an appropriations law, the restriction faces yearly scrutiny. It remained in effect until Sept. 30, 2016. Medical marijuana growers, processors and dispensaries must remain aware of the possibility that Congress will restore the DOJ's funding for criminal and civil enforcement actions against state-legal medical marijuana businesses. On the other hand, Congress may continue the trend toward easing enforcement of federal marijuana laws.

While the DEA maintains its refusal to reschedule marijuana, Congress may move marijuana from Schedule I to Schedule II as proposed by the bipartisan Compassionate Access, Research Expan-

sion, and Respect States (CARERS) Act of 2015 introduced in the Senate. However, the looming possibility of future legislation provides little comfort to targets of past DOJ enforcement actions.

While medical marijuana advocates within the jurisdiction of the 9th Circuit won the McIntosh battle, the court's decision comes with two important lessons as states on the East Coast implement their medical marijuana programs. One, it is essential for medical marijuana businesses and the individuals involved to remain in full compliance with state law. And two, the war to fully legalize medical marijuana rages on.

Melissa A. Chapaska helps businesses obtain and remain legally compliant as they plan, form, and operate their medical cannabis-related enterprises. She is an attorney at Cannabis Law PA (cannabislawpa.com), which helps clients navigate the medical marijuana licensing, permitting and regulatory compliance processes necessary to thrive.



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P.O.V.

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.



Main Street Marijuana co-owners Adam Hamide (left), Ramsey Hamide (second from left) and Jason Keller (far right) and Cannabis Station owner Erik Halverson enjoy the great outdoors during a visit to Greg James' ranch in Eastern Washington, where they were touring commercial grow operations. *Photo by Greg James.*

P.O.V.



The Cannabis Alliance recently hosted a marijuana industry kickball tournament in Soap Lake, Washington for the purpose of building community relationships and letting off steam. Clockwise, starting at the top left: Soap Lake Mayor Raymond Gravelle (holding the flag) leads a parade through town to commemorate the event; Jeremy Moberg rounds the bases and get a high-five from Aaron Inman; Todd Arkley, Alex Cooley and Moberg share a laugh amidst the intense competition; Quincy Green's Mark Olson hoists the first-place trophy after helping lead his team to the victory over opposing teams from Trail Blazin' Productions and the Washington Sungrowers Industry Association. "It was intimate, casual, relaxing, silly and FUN!" said Lara Kaminsky of The Cannabis Alliance. "I can easily say it was a raging success and those that were there this year will always have bragging rights that they were there from the beginning." *Photos by Lara Kaminsky and Sandi Child Photography.*





P.O.V.



Clockwise, from the bottom left: Teams from Have a Heart and Always Greener speak with job seekers at the first Juana Career job fair hosted by Viridian Staffing; Michael Garcia and Katina Morales, from Betty Khronic, at the CWCB Expo in LA; Micah Nelson plays an all-hemp guitar at the Farm Aid concert in Virginia (Photo by Linda Banks).





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Bud Scores

Three experienced bud tasters sample two different products 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. At Marijuana Venture, we believe blind testing is the only way to get a truly honest score.

Our testers rank bud samples 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 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 potency. Each sample was purchased at a Washington state-licensed cannabis retail store.

Brand: Top Shelf Premium

Strain: Mendo Afgoo

Total THC: 19.2%

Grow type: Indoor hybrid

87.3 **Price:**
\$12/gram

Brand: FTS Farms

Strain: Gorilla Glue #4

Total THC: 20.6%

Grow type: Greenhouse sativa hybrid

83.1 **Price:**
\$13/gram

ARCHIVES	SCORE	THC	GROW/TYPE	\$/GRAM	ISSUE
Campfire Buds L.A. Soda	80.3	14.0%	Outdoor hybrid	\$5	September 2016
CannaSol Farms Grape Dunkel	82.5	23.3%	Outdoor indica	\$14	August 2016
Green Barn Farms Super Skunk	81.4	28.6%	Outdoor indica hybrid	\$10	April 2016
NW Cannabis Solutions Blue Dream	82.1	26.8%	Indoor sativa	\$13	August 2016
Phat Panda OG Chem	83.7	15.3%	Indoor sativa hybrid	\$15	April 2016
Pioneer Nuggets Afgoo	82.5	21.0%	Indoor indica	\$14	May 2016
Pingston Creek Boy Scout Cookies	79.1	9.0%	Indoor hybrid	\$16	October 2016
Pingston Creek Durban Poison	87.6	17.8%	Indoor sativa hybrid	\$16	May 2016
Secret Gardens of Washington Gas Mask	87.4	21.6%	Indoor indica	\$18	June 2016
Tiller/Flying Farma Dirty Girl	84.2	21.4%	Outdoor sativa	\$14	June 2016
Tiller/NCW Grow Cactus	82.9	20.6%	Outdoor sativa	\$14	July 2016
Tumbleweed Farms ATF	78.9	24.0%	Outdoor sativa	\$12	September 2016
U.S. Cannabis Grand Daddy Purple	87.0	26.0%	Indoor indica	\$15	July 2016
Virginia Company Skunk 47	77.5	20.0%	Indoor hybrid	\$14	October 2016



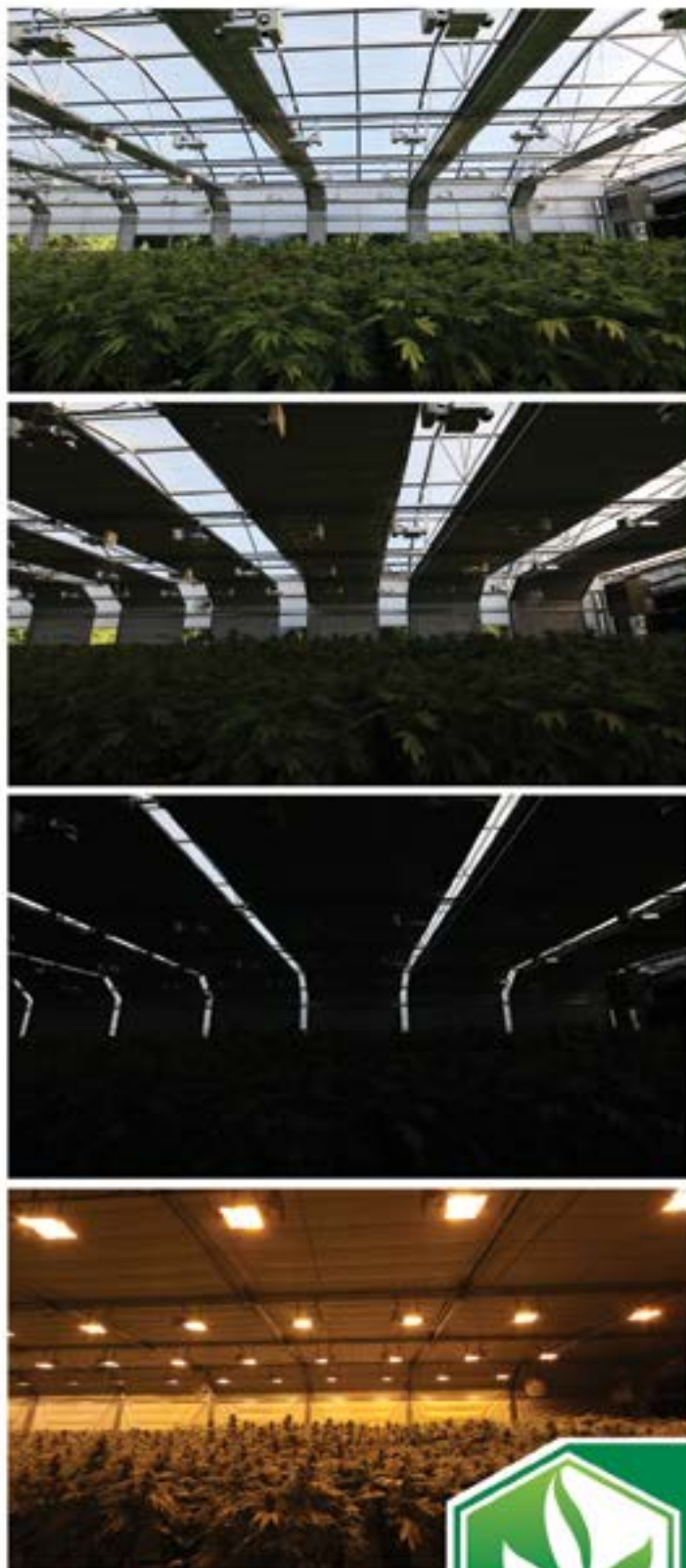
Joy Beckerman is a renowned industrial hemp and marijuana consultant and policy maven who has been involved in both movements for more than a quarter of a century. She judged her first High Times Cannabis Cup in Amsterdam in 1995, and enjoyed her most recent High Times Cannabis Cup judging in SoCal in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



Cass Stewart is the senior buyer and director of business development at Synergy Brands/ Willie's Reserve Washington. He founded Apothecary Seattle, Capital Hill's first medical marijuana storefront, and consulted on the launch of three successful retail stores in Washington, including Buddy's. He is an advocate for legalization and a sommelier-type connoisseur of cannabis.



Tera Martin is the founder of the Pink Gene Foundation and general manager of Green-Theory, a marijuana retail store in Bellevue, Washington. She studied hospitality management at Washington State University, and was introduced to the cannabis industry after being diagnosed with breast cancer. Cannabis was a part of her treatment program, which led her to become an activist.



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