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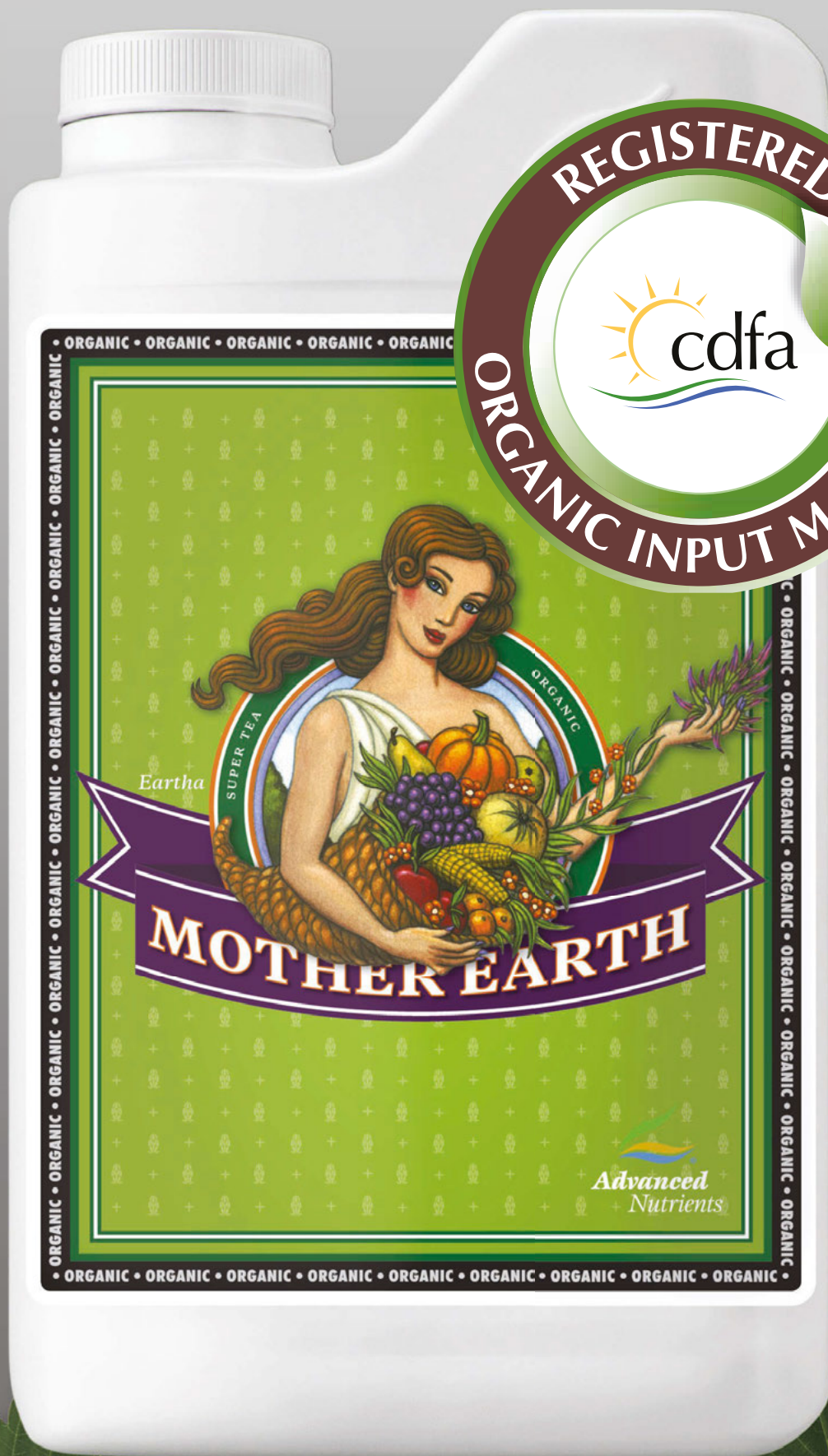


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CANNABIS GUMMY FORMULA

Kushy Punch



56

CORNER OFFICE

Founder Adam Grossman on the inspiration and guiding philosophy behind Papa & Barkley.





62

FEATURE

Female-focused startup incubators, trade groups, and social networks are building solid foundations without glass ceilings.



14 | HARVEST

News and information from around the nation.

30 | VOICE

Ricardo Baca explains the five things every budtender needs to know.

32 | GUEST COLUMN

James Eichner on the need for the industry to embrace environmentally sustainable packaging.

36 | TOP SHELF

Compassionate Cultivation is among the vanguard in Texas's nascent medical cannabis movement.

38 | TIP JAR

How The Green Solution in Denver solved its customer wait-time dilemma.

40 | SPOTLIGHT: MANUFACTURER

Edibles manufacturer Lunchbox Alchemy hopes to refine the market by refining its own extracts.

42 | HORTICULTURE

Could adding a greenhouse to your grow increase profitability?

46 | FEATURE

After July 1, cannabis shops in California saw a sharp drop in compliant product on the shelves.

76 | LEGAL

Partnerships, acquisitions, and investment require thorough background research.

80 | PRODUCTS

Things that cut, grind, chop, vape, smoke, grow, and taste really, really good.

86 | HASHTAG

88 | RECOMMENDER

Ashley Ross, brand ambassador for Hypur, recommends...



80



A BALM FOR THE SPIRIT

IN THE EARLY 1970S, my father—who held master’s degrees in economics and finance—put forth a rational argument for regulating and taxing marijuana in the same way alcohol and cigarettes were regulated and taxed. Based on economic, medical, and law enforcement data available at the time, he concluded legalizing pot not only would put a dent in illegal drug trafficking but also generate enormous revenue without disrupting the fabric of society.

That was a bold statement back then, especially considering he was a diehard Republican and career military officer who immortalized his radical ideas on paper as part of an official assignment.

Though not well-received at the time, his conclusions have proved mostly correct. Cannabis not only has become a potent economic engine, but also is improving quality of life for patients who suffer from debilitating conditions. Ask Papa & Barkley founder Adam Grossman how his father benefited from cannabis treatment. Ask Morris Denton how his Texas dispensary, Compassionate Cultivation, is changing lives. While you’re at it, ask states like California, Colorado, Oregon, Washington, and Nevada how weed taxes impact their budgets.

And yet, Congress and some state legislatures continue to resist voters’ will and economic evidence that couldn’t be clearer. Why?

Theories abound, including lobbying by Big Pharma, Big Alcohol, and Big Tobacco, as well as contractual obligations to fill for-profit prisons. A few unrepentant scaremongers maintain cannabis is a dangerously addictive gateway drug, despite all evidence to the contrary.

In a time of almost unprecedented social hostility and political belligerence, legalization is one of the few things about which most Americans agree. In that way, cannabis could be the balm We the People desperately need.

Kathee Brewer
Kathee@cannmg.com

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All the news that's fit to smoke.

- CO. MMJ REVENUES STEADILY DECLINE IN 2018
- BRITS BACK SELLING POT LIKE CIGS, ALCOHOL
- CALIF. ARRESTS DOWN 56% SINCE PROP. 64
- CANADA CRACKS DOWN ON FESTIVAL SPONSORS



AMERICANS SEE CANADIAN LEGALIZATION AS POSITIVE

WASHINGTON, D.C. — Nearly two in five Americans (38 percent) believe Canada's legalization of recreational cannabis on a national level will have a positive effect on the country, according to a YouGov Omnibus poll. Fewer than one quarter (24 percent) of those polled said legalization will negatively affect the first G-7 nation to embrace total reform, and 20 percent said the move will have no effect.

Forty-one percent of residents in western U.S. states view Canada's new law as positive. Viewed along political lines, the difference is somewhat stark: 50 percent of Democrats and 36 percent of independents believe Canada's move is positive, while 49 percent of Republicans believe the country will suffer as a result of legalizing recreational weed.

The poll revealed only slight variation among income levels. Thirty-six percent of those who earn less than \$40,000 annually believe the move will have a positive impact on Canada's future. Among those who earn between \$40,000 and \$80,000, 38 percent hold a positive perception of the new law, and 41 percent of those who earn more than \$80,000 believe Canada made the right decision.

NEW CALIF. REGS MAY CHANGE DELIVERY, EDIBLES, ADS RULES



SACRAMENTO, Calif. — Advertisers may be in for a bit of a bumpy ride under a new proposal for California's anticipated permanent regulations, but delivery services and edibles consumers may see their stocks rise.

The state's medical and recreational markets have operated under "emergency" temporary regulations since voters approved recreational use in November 2016. Regulators have been through four rounds of development in a race to meet an end-of-2018 goal for establishing permanent rules in both sectors.

Included within the 136 pages of the latest proposal:

- ▶ "A delivery employee may deliver to any jurisdiction within the State of California," regardless what local ordinances say.
- ▶ The maximum potency per package of medical edibles would rise from 100mg to 500mg of THC.

▶ Retailers no longer would be able to promote free products, and rules about advertising that might appeal to children would become stricter.

The proposal also loosens some compliance and distribution mandates and eases lab testing requirements.

Concurrently, the Department of Food and Agriculture's CalCannabis division, which oversees cultivators, issued sixty-eight pages of proposed new rules that fail to cap maximum grow size at one acre, as the California Growers Association wanted. The association, which sued the state over the size issue in January, has said small- and medium-sized farmers can't compete in the new economy against massive commercial grows with unlimited crop space.

Regulators will either approve the current proposals or go back for more tweaking after the public comment period closes at the end of August.

COURT:

MARIJUANA NOT A HOLY SACRAMENT

INDIANAPOLIS — In a case brought by the First Church of Cannabis under the state's Religious Freedom Restoration Act, an Indiana superior court judge ruled religious freedom doesn't extend to Schedule I substances.

The church sued the state in 2015, shortly after receiving official recognition as an organized

religious entity. In her July ruling, Judge Sheryl Lynch stated allowing church members a religious exemption for cannabis use would encourage abuse of the legal system and make enforcement of federal and state drug laws extremely difficult because anyone could claim affiliation with the church.



HALF OF PEDIATRICIANS SAY PATIENTS HAVE USED CANNABIS

OTTAWA, Ont. — About half of Canadian pediatric physicians have encountered at least one patient who uses authorized or unauthorized cannabis to treat a medical condition, according to recent survey performed by the Canadian Paediatric Surveillance Program. The study did not separate authorized from unauthorized use or ask the ages of the patients.

The survey also revealed more than one third of pediatricians have been asked by a parent, guardian, or adolescent to prescribe medical cannabis. Only a handful admitted agreeing to do so, while a majority admitted feeling ill-equipped to interact with potential cannabis patients due to a lack of knowledge about the medication, appropriate uses, and accurate dosing.

The survey recorded responses from 835, or about 31 percent of, Canadian pediatricians.





OREGON'S MMJ REGULATOR ADMITS OVERSIGHT PROBLEMS

SALEM, Ore. — The Oregon Medical Marijuana Program may be contributing to the black market by failing to provide adequate oversight of the state's medical marijuana industry, according to a review ordered by the Oregon Health Authority.

The report, undertaken in response to state, local, and federal complaints about cannabis overproduction and alleged diversion of the excess to other states, revealed OMMP carried out only 58 inspections in 2017. The state is home to more than 20,000 grows.

The report concluded OMMP employs too few inspectors and lacks a reliable state database of licensed cultivation sites. Law enforcement agencies have said they are forced to rely on inaccurate and sometimes conflicting county databases to determine which grows are legal.

CANADIAN CANNABIS PROFESSIONALS HAVING TROUBLE AT THE BORDER

U.S.-CANADA BORDER — An immigration attorney said Canadian professionals who work in or with the cannabis industry are being turned back at the border—or, in some cases, banned from the United States for life—even if they don't touch the plant.

Attorney Len Saunders, who practices in the border city of Blaine, Washington, said U.S. border guards have told angel investors traveling on business they face lifetime bans because funding cannabis businesses implies drug trafficking. People merely employed in the cannabis industry are denied entry because they “live off the avails of drug money,” he told CBC News.

Some Canadians have begun to take extraordinary measures before attempting to cross the border into the U.S. According to Barinder Rasode, chief executive officer for the National Institute for Cannabis Health and Education, some industry insiders wipe data from their phones, use secure messaging apps, or even ship their phones ahead of them so the devices can't incriminate them if they're questioned by U.S. Customs and Border Enforcement officers.

“These are realities we're not used to as Canadians,” he told CBC.



15%

Nationwide average jump in concentrate sales on Monday, July 10 (710), 2018, over average Monday sales.

(Source: MJ Freeway)

19%

Year-over-year 710 sales growth since 2015.

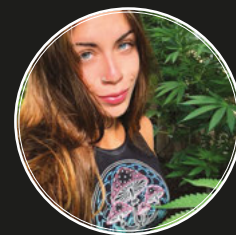
(Source: MJ Freeway)

51%

of Canadian cannabis consumers in 2017 were Millennials (younger than 35).

(Source: Health Canada)

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@thematthewmorgan

275K



ALCOHOL TRADE GROUP SUPPORTS CANNABIS LEGALIZATION

WASHINGTON, D.C. — A major beverage alcohol industry trade association has entered the great American cannabis debate, urging the federal government to respect states' rights to establish adult-use cannabis marketplaces...as long as cannabis businesses aren't treated more leniently than alcohol distributors.

"Legalization should include regulations that set age restrictions on buyers, as well as license and regulate the supply chain of cannabis, including growers, distributors, retailers, and testing laboratories," said Dawson Hobbs, Wine and Spirits Wholesalers of America acting executive vice president for external affairs.

Among other things, the organization said states should be required to set the minimum age for consumption at 21 and penalize underage purchase, possession, and use; establish impaired-driving standards; develop policies to prevent vertical integration and monopolies; limit hours and days of sale; mandate labels include potency and health warnings; enforce advertising restrictions; establish licensee penalties on par with those assessed against alcohol businesses; and mandate all products can be traced to the source producer or processor.

WSWA is the first organization in the beverage alcohol industry to take a public position about cannabis reform.



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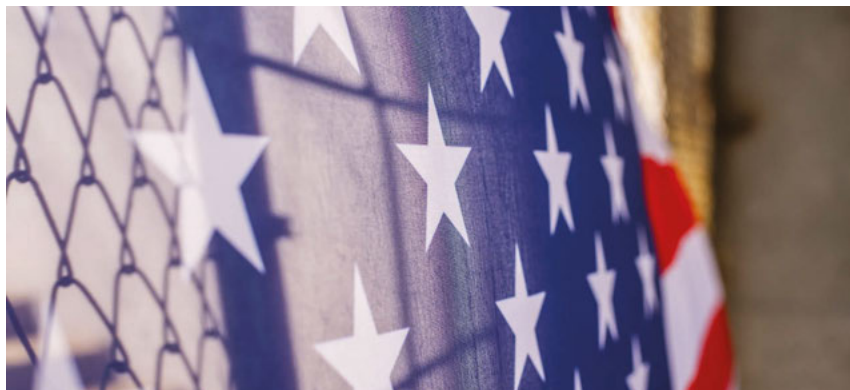
OKLAHOMA MMJ RULES DRAW PATIENT, ACTIVIST CRITICISM

OKLAHOMA CITY — Dispensaries must employ pharmacists, and smokable weed is off-limits unless licensed patients grow it themselves. Those are two dictates among the emergency regulations Oklahoma Governor Mary Fallin signed in July ahead of the state's medical cannabis program's debut.

While regulators said the rules are necessary to protect public health, activists and patients said they'll do more harm than good. For one thing, according to dispensary owners, employing a pharmacist is prohibitively expensive. For another, according to patients, edibles, pills, and oils do not produce the same relief provided by smokable

weed, largely because smokable products act more quickly than others. In addition, patients suffering kidney or liver issues may be unable to use oral medicine.

Though the Oklahoma State Department of Health blamed the admittedly less-than-optimal regulations on having too short a time in which to craft them, State House Representative Pat Ownbey, a Republican, insinuated the rules may have been an attempt by Fallin's arch-conservative administration to push back against a voter mandate.



SEIZURES OF ILLICIT CANNABIS DOWN 35%, DEA AND HOMELAND SECURITY FIGURES SHOW

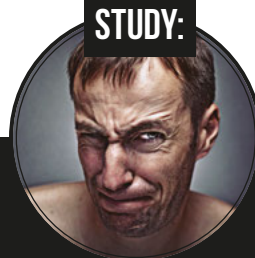
WASHINGTON, D.C. — U.S. law enforcement confiscated 35 percent less black-market weed in 2017 than in 2016, according to Drug Enforcement Agency and Homeland Security numbers compiled and analyzed by GreenWave Advisors. The figures, reported by *High Times*, indicate a decrease in state seizures from \$11.6 billion in 2016 to \$7.5 billion in 2017. Along the southern U.S. border, seizures dropped from \$1.03 billion to \$600 million. When combined with "other" confiscations, the total decrease in the value of seized cannabis equaled \$4.5 billion.

Granted, 2016 represented an active year for seizures, topping 2015's total by \$2 billion, or 21 percent, after declining by 4 percent to 11 percent during the previous three years.

Matt Karnes, GreenWave's founder and managing partner, cautioned the decline could reflect any of a number of things besides a decrease in the black market, including a drop in law-enforcement efficiency and reduced interest in prosecuting cannabis crimes.

Officers seized a total of \$8.3 billion in illicit cannabis in 2017. By comparison, GreenWave estimated legal sales in the U.S. during 2017 totaled \$8.2 billion.

STUDY:



CANNABIS DOES NOT TREAT PAIN

SYDNEY, Australia — Researchers at the University of New South Wales found no evidence cannabis treats pain. In fact, according to researchers, cannabis users experienced more pain and were worse at managing their pain than those using traditional painkillers.

The study, conducted over four years with more than 1,500 participants, was published in the medical journal *Lancet*. Researchers considered only smokable product.

Previous studies using smaller populations found medical cannabis extracts products helped users manage pain and reduce dependence on opioid medications: A May 2018 study indicated cannabis increased quality of life for pain patients, a 2016 study found patients experienced decreased pain and improved function, and a 2015 review of multiple studies showed chronic pain improved with medical cannabis treatment.

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YEAR-OVER-YEAR CANNABIS PRICES AND VOLUMES

U.S. Cannabis Spot Index average declined 13%.

\$1,562
per pound in 2017.

\$1,789
per pound in 2016.

U.S. Cannabis Spot Index:

Opened 2017 at \$1,532 and closed at \$1,436, down 6%.
Opened 2016 at \$2,030 and closed at \$1,615, down 20%.

Fall harvests drove prices to their annual lows in November.

2017 low was \$1,368 on November 17.
2016 low was \$1,386 on November 11.

Volume of wholesale flower sold in the U.S. grew 22% in 2017.

Estimated 3.7 million pounds in 2017.
Estimated 3.0 million pounds in 2016.

U.S. wholesale market for cannabis flower was \$5.7 billion in 2017, 77% the size of U.S. wholesale wheat market of \$7.4 billion.

(Source: Cannabis Benchmarks)



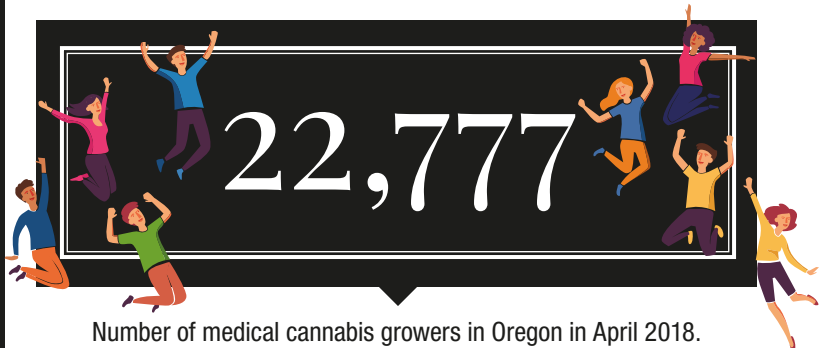
GREEN THUMB INDUSTRIES SECURES CAD \$80.3M BOUGHT-DEAL FINANCING

VANCOUVER, B.C. — A syndicate of underwriters led by Canaccord Genuity Corp. and GMP Securities L.P. have agreed to purchase, on a bought deal basis, 7.3 million subordinate voting shares of Green Thumb Industries Inc. at a total price of CAD\$80.3 million, or CAD\$11 per share. The syndicate also will receive an over-allotment option to purchase up to an additional 1.095 million shares within thirty days following closing.

The offering was expected to close August 2, pending securities and regulator approval.

Green Thumb intends to use the net proceeds for business development, including the acquisition of one of ten licenses in the regulated New York cannabis market and the buildout of five dispensaries in Ohio, as well as for working capital and general corporate purposes.

GTIGROWS.COM



(Source: Statista)

TERRA TECH SELLS LAS VEGAS DISPENSARY FOR \$6.25 MILLION

IRVINE, Calif. — Terra Tech Corp., parent company of Blüm dispensaries in Nevada and Oakland, California, sold one of its three Las Vegas properties to Exhale Brands Nevada for \$6.26 million. The 3,900-square-foot facility adjacent to the Las Vegas Strip opened in April 2015.

The company continues to own and operate two other retail outlets in Las Vegas and one in Reno, Nevada. In addition,

Terra Tech recently opened a 30,000-square-foot cultivation operation in Sparks, Nevada, and awaits state approval for a 15,000-square-foot extraction lab in Reno. The company owns 50 percent of the latter two.

According to a company statement, Terra Tech plans to pursue licenses for additional retail locations in Las Vegas.

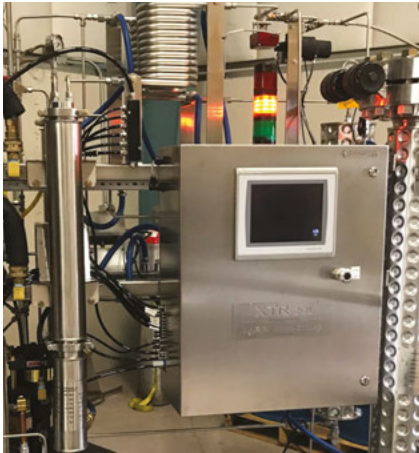
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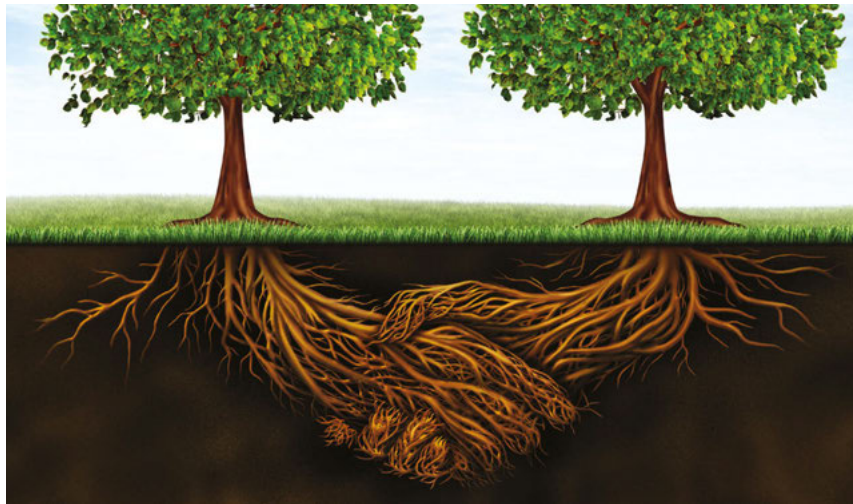
EVIO INC. ACQUIRES MRX LABS

BEND, Ore. — EVIO Inc., which provides cannabis testing and scientific research for the regulated industry, purchased competitor MRX Labs LLC. The deal includes owned equipment and equipment leases, real estate, customer lists, customer contracts, and rental agreements.

The company also has formed a strategic alliance with MRX Xtractors, leveraging the two leading companies' respective strengths to develop and expand growth in existing and new markets.

As part of the acquisition, EVIO Labs Portland will relocate its license, operations, and personnel to the former MRX facility in Tigard, Oregon. Bend, Oregon-based EVIO also maintains facilities in California, Colorado, Florida, Massachusetts, and Alberta, Canada.

EVIOLABS.COM, MRXXTRACTORS.COM



ROOTS ENTERS U.S., ISRAELI MEDICAL CANNABIS MARKETS

BEIT HALEVY, Israel — Israeli ag-tech firm Roots Sustainable Agricultural Technologies Limited entered the U.S. cannabis space with a pilot program designed to prove its patented Root Zone Temperature Optimisation (RZTO) technology will heat or cool the roots of field-grown cannabis. Roots's partner in the endeavor is American Farms Consulting LLC in Trinidad, Washington, a semi-desert area subject to significant temperature fluctuations.

Concurrently, Roots is collaborating with Canndoc Ltd. on a similar undertaking for greenhouse-grown cannabis in northern Israel.

"This cannabis proof of concept is the first time our system is being used on Cannabis — a non-edible crop," Roots Chief Executive Officer Dr. Sharon Devir told Finfeed.com. "Like other crops where we use this technology, the purpose of installing the system is to optimize the root zone temperatures—to cool or warm when necessary—until the optimum temperature of the cannabis plant is reached and maintained."

Both proof-of-concept projects will examine whether using RZTO affects growth rates, yield, uniformity among plants, and cannabinoid values and composition.

ROOTSSAT.COM

CLS HOLDINGS USA CLOSES ACQUISITION OF OASIS CANNABIS

LAS VEGAS — CLS Holdings USA Inc., which operates as Cannabis Life Sciences, acquired Oasis Cannabis, marking the former's entry into dispensary operations. Previously, CLS operated in the cultivation, extraction, and conversion spaces.

Oasis Cannabis's licensed grow and dispensary were among the first to open in Nevada after legalization in 2015. In August 2017, the company branched out into statewide distribution with the launch of its City Trees brand of concentrates and infused products. CLS plans to add Oasis dispensaries and triple Oasis's cultivation capacity and production during the second half of 2018.

Oasis will operate as a wholly-owned subsidiary of publicly traded CLS.

CLSHOLDINGSINC.COM,
OASISCANNABIS.COM

44%

of Colorado budtenders leave a job within 12 months.

(Source: Headset)



NUGGETS



1 **TILRAY** debuted on the NASDAQ in July, becoming the first pure-play cannabis company to go public on a major U.S. exchange.

TILRAY.COM



2 **FLOW KANA** completed a \$22-million round of financing led by a \$15-million investment from Gotham Green Partners.

FLOWKANA.COM
GOTHAMGREENPARTNERS.COM



3 **MEDMEN** will open a 2,700-square-foot Las Vegas store in October. The company's first Sin City shop opened in July.

MEDMEN.COM



KUSH BOTTLES REBRANDS AFTER ACQUIRING DESIGN AGENCY

SANTA ANA, Calif. — The company formerly known as Kush Bottles Inc. changed its name to KushCo Holdings Inc. after acquiring specialist design agency Zack Darling Creative Associates LLC and its wholly owned subsidiary The Hybrid Creative for \$1.45 million in cash and 360,000 shares of Kush common stock. KushCo will issue additional earn-out payments of up to \$1.75 million, in a combination of cash and stock, based on Hybrid achieving specified milestones.

ZDCA, founded in 2009, provides brand strategy, design and marketing, web application development, and e-commerce solutions to both mainstream and cannabis clients in the U.S., Canada, and Europe. KushCo, a supplier of packaging, supplies, vaporizers, hydrocarbon gasses, solvents, accessories, and branding solutions founded in 2010, expects the acquisition to expand its client base in the cannabis market and other sectors.

The ZDCA acquisition follows KushCo's acquisition of hydrocarbon and solvent distributor Summit Innovations LLC in May.

The company's core business-to-business sales and distribution arm will continue to operate under the Kush Bottles name. Over the summer, KushCo spun off its FDA-compliant pharmaceutical and veterinary packaging operations into a new division, Koletto Packaging Solutions.

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Quarter Ended:
03/31/18
Quarterly Sales:
\$8.07m
Y/Y Growth
114%



TERRA TECH
(OTCQX: TRTC)
Quarter Ended:
03/31/18
Quarterly Sales:
\$7.31m
Y/Y Growth
24%



MEDMEN ENTERPRISES
(CSE: MMEN)
Quarter Ended:
03/31/18
Quarterly Sales:
\$7.22m
Y/Y Growth
693%



GROW GENERATION
(OTCQB: GRWG)
Quarter Ended:
03/31/18
Quarterly Sales:
\$4.38m
Y/Y Growth
70%



GW PHARMA
(NASDAQ: GWPH)
Quarter Ended:
03/31/18
Quarterly Sales:
\$3.35m
Y/Y Growth
47%



GOLDEN LEAF HOLDINGS
(OTC: GLDFF)
Quarter Ended:
03/31/18
Quarterly Sales:
\$3.2m
Y/Y Growth
42%

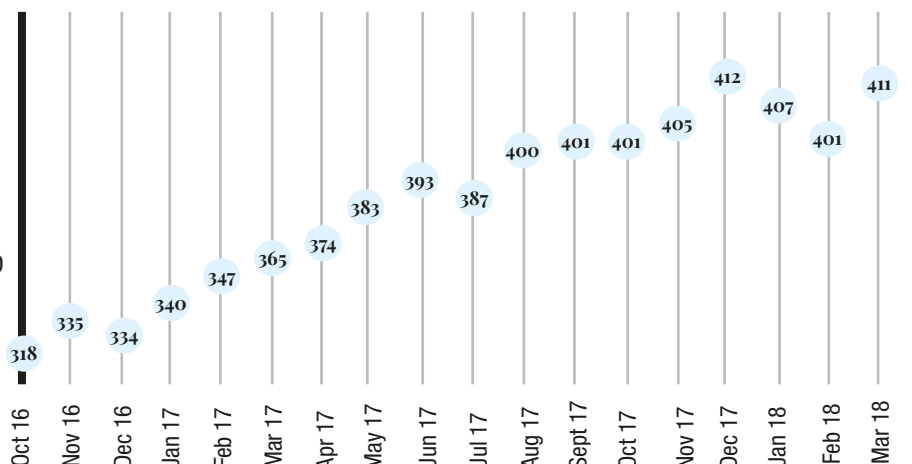
Source: New Cannabis Ventures

BANKS AND CREDIT UNIONS WORKING WITH CANNABIS BUSINESSES

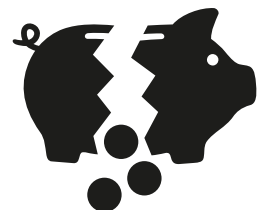
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51,391
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EVENTS

CALENDAR OF EVENTS

The following is a list of select industry events taking place during October 2018.

U.S. CANNABIS CONFERENCE & EXPO

OCTOBER 4-6

PHOENIX, AZ

A business-to-business event bringing together experts from the local, regional, and national cannabis industry to network and share the latest industry information. The expo includes seminars from industry leaders and an exhibit hall filled with businesses showcasing industry-related products and services.

USCCEXPO.COM

RAD EXPO OCTOBER 10-11

OREGON CONVENTION CENTER,
PORTLAND, OR

A business-only event focused on the retail side of the industry; attendance is free for licensed retail stores and dispensaries as well as qualified applicants in states not yet issuing licenses. All exhibitors will offer products and services aimed at making retailers more profitable.

THERADEXPO.COM

NEW WEST SUMMIT OCTOBER 11-13

MARRIOTT CITY CENTER,
OAKLAND, CA

Focused exclusively on disruptive developments in technology, science, media, and investment within the cannabis space, New West Summit features more than 100 exhibitors, 50 panels, 150 speakers, an investment symposium, career fair, and hack-a-thon. The summit brings together international entrepreneurs, thought leaders, top-level investors, innovative brand developers, and creators to look at what's next.

NEWWESTSUMMIT.COM

CHAMPS OCTOBER 16-18

COLORADO CONVENTION CENTER,
DENVER, CO

Founded in 1999 and now one of the largest counterculture trade shows in the world, CHAMPS hosts premier exhibitors and draws buyers in the thousands from all over the world. Vendors offer glass pipes, vaporizers, cleaners, and extraction machines, among other stock.

CHAMPSTRADESHOWS.COM

CANNABIS WORLD CONGRESS & BUSINESS EXPOSITION

OCTOBER 17-20

JOHN B. HYNES CONVENTION CENTER,
BOSTON, MA

A business-to-business trade show event for the legalized cannabis industry, CWCCB Expo is a leading forum for dispensary owners, growers, suppliers, investors, medical professionals, government regulators, legal counsel, and entrepreneurs looking to achieve business success and identify new areas of growth in the dynamic, fast-growing cannabis industry.

CWCBCXPO.COM

CALIFORNIA CANNABIS BUSINESS CONFERENCE

OCTOBER 22-23

ANAHEIM, CA

Designed to prepare California cannabis businesses for success in the largest adult-use market in the world, the California Cannabis Business Conference brings together industry leaders to discuss best business practices and operations.

CALIFORNIACANNABISBUSINESSCONFERENCE.COM

CANNMED OCTOBER 22-24

UCLA LUSKIN CONFERENCE CENTER,
LOS ANGELES, CA

To further the convergence of medical cannabis research, treatment, and product development, top medical cannabis researchers will present their latest findings about treatments for epilepsy, pain, traumatic brain injury, cancer, and autism. Physicians and clinicians will share case studies and clinical pearls collected through their experience treating patients with cannabis. Laboratory professionals will share technologies for cannabinoid and terpenoid extraction, delivery methods, and quality and safety testing.

CANNMEDEVENTS.COM

CANNATECH OCTOBER 28-30

DOLTON HOUSE, SYDNEY, AUSTRALIA

Dynamic presentations will focus on science, research, finance, medicine, tech, agriculture, innovation, and government policy worldwide, with a focus on evidence-based information.

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STAY CURRENT ON ALL INDUSTRY EVENTS: MGRETAILER.COM

Hall of Flowers

SEPTEMBER 17-18th, 2018

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BEAUTY IN DECAY

Life continues to thrive at this deserted nursery in Northern California. After twenty years of deterioration, the abandoned greenhouse is alive with beauty as represented in this dreamlike reality.

Image captured by Mike Rosati, who lives his passion for photographing cannabis, live music, and urban exploration. @ROSATIPHOTOS





FIVE THINGS EVERY BUDTENDER MUST KNOW

BY RICARDO BACA

STILL get excited in that otherwise-unremarkable moment when I'm about to walk through the front door of an unfamiliar cannabis shop. Maybe it's somewhere I've never shopped before, or perhaps it's been a while, but either way I find myself hopeful for an enlightening new retail experience.

As a consumer, I'm curious about the new brands and products I'll find behind the counter. As a publicity and communications professional, I'm interested in seeing creative point-of-sale activations and listening to the staff's recommendations. As a journalist, I'm always keeping an eye on the overall retail experience, carefully noting how these cannabis shops have evolved since the medical-only days preceding an adult-use market not yet five years old.

In the five years I've been covering cannabis, I've watched as the retail experience transformed from rudimentary pen-and-paper to Silicon-Valley-developed seed-to-sale software systems. While some of today's top cannabis shops are an almost-unrecognizable, futuristic version of the collectives, co-ops, and cafes that first sold medical marijuana in decades past, one aspect of the cannabis-purchasing experience has not changed one iota.

I'm talking about customer service, and within the context of retail cannabis, customer service mostly falls to the all-important budtender.

Like any retail exchange, the individual manning the register is generally the customer's primary touchpoint, so it goes without saying a budtender is indeed an all-important

team member. But, as in any other service industry, this essential position doesn't always get the training and professional attention it deserves, especially given its mammoth responsibility to represent the store professionally and authentically.

I know roughly how much training and guidance a budtender has received fewer than sixty seconds into our initial interaction. It's thrilling when I get Nordstrom-level service in a marijuana shop, and it's frustrating when the service is more comparable to training day at Taco Bell, especially because we're dissecting the intricate differences between extraction methodologies and not ringing up a Doritos Locos Taco.

But I've noticed over the years that all budtenders, including new-hires and the largely untrained, can do quality work when they abide by the Five Tenets of Cannabis Service, as arbitrarily made up by yours truly after visiting hundreds of dispensaries, cafes, and shops throughout the U.S., Canada, the Netherlands, and beyond.

Before I lay these out, allow me to thank the hundreds of budtenders who have inspired this piece—and who have matched my excitement for weed-shopping with their thoughtful attention to detail and nuance.

Without further ado, and for the first time ever published, the Five Tenets of Cannabis Service:

1 LAY THE GROUND RULES

What does your customer need to know before you really get into this transaction? Sometimes it's as simple as telling the customer how your shop or counter space is laid out, and sometimes it's a little more complex. Regardless, starting each transaction this way sets the customer up to succeed and ask better questions, and it also will save time for each of you. The process starts with a budtender's colleague at the front door, who should alert each customer to any relevant payment information (cash-only, ATM in the lobby, etc.) before he

or she is standing at the counter. Once the customer lands at the counter and you lay out the basic ground rules, ideally via a spiel that lasts no more than thirty seconds, you're ready to let the customer do some talking—after you ask them an incredibly important question that will inform your entire interaction.

2

ASK THE QUESTION

What's the one piece of information you need to glean from your customer before really digging in? It's simple, and most budtenders get this one right: "Are you looking for something specific today?" The answer is almost always affirmative. Customers are creatures of habit. We mostly know what we like and don't like. We generally shop with intention, just like we do at the grocery store. And even if we don't know, this basic question opens the door for that exploratory conversation to take place. Me, I'm primarily an edibles-and-cartridges guy and rarely a flower-and-concentrates guy, so if you ask me what brings me in, you'll know immediately that you can skip the spiel about the fire sun-grown practically leaping off the shelf and the live resin you can't keep in stock. Your customer will appreciate being catered to and heard, and your manager will appreciate the communicative service and efficient turn rate.

3

KNOW YOUR CUSTOMER

Are you paying attention to your customers' verbal and nonverbal cues? Maybe she matches your friendly greeting with a smile and a laconic response. Or perhaps he returns a quick hello while looking beyond you, his eyes darting from product to product. If you're picking up on your customer's body language and verbal cues, you can tailor your service accordingly, enhancing the customer's experience significantly. If the customer is looking to talk shop and ask questions, you're the expert budtender ready with the answers. But if he or she is in a visible rush, you can facilitate their quick purchase with a thoughtful speed and accuracy that skips the small-talk and saves the customer valuable time. Of course, it's rare that a customer comes right out and says "I'm in a hurry" or "just enjoying a lazy Sunday," so paying attention to the unspoken is essential.

4


DON'T RUSH TO THE REGISTER

While your customer can always hurry the transaction along if they choose to, the budtender cannot. Even if the waiting room out front is packed, even if your break technically started two minutes ago, a cannabis shop's staff should always let the customer determine the pace of a purchase—short of absurd lollygagging, of course. Especially in these still-early days, a budtender needs to remember

that many adult-use purchases are still medical (or even wellness) in nature, and oftentimes these customers are first-timers. Just as a pharmacist shouldn't rush a patient asking questions about his or her amoxicillin or OxyContin, a budtender should not unnecessarily rush customers asking about ideal strains for their sleeplessness or the difference between smoking and vaporizing cannabis.

5

THE THOUGHTFUL SENDOFF

When you're in line at a store's register—any store's register—you're almost always surrounded by targeted last-minute products: gum, batteries, cold soft drinks, and magazines at most grocers across North America. The tactic is a genius upsell, sure, but it also provides a service to the customer—and the budtender's last-minute recommendations can straddle that same line of 360-degree customer service and upping a customer's average spend. When that customer says "that's it," always ask about the related purchases they're not yet making that still make sense. If they're buying flower, do they need papers, cones, or a lighter? If they're buying a popular gummy brand, have they tried the competitor, which sells at a more competitive price point? If they're buying a gram of concentrate, do they know there's a special if they buy two grams? Beyond the targeted up-sells, some customer service tricks will turn casual shoppers into regular, loyal customers: a kind word of advice about an edible's onset time or a mention of the shop's recurring sales (i.e. discounted shatter on Shatterday), always topped off with a heartfelt goodbye and an invitation to come back sometime. 



RICARDO BACA is a veteran journalist and thought leader in the legal cannabis space and founder of Grasslands: A Journalism-Minded Agency, which handles public relations, content marketing, social media, events, and thought leadership for brands and executives in legal cannabis and other industries.

CANNABIS PACKAGING: HOW TO SOLVE THE PLASTIC OVERLOAD



Passionate about the environment, Sana Packaging co-founder James Eichner challenges the cannabis industry to get serious about embracing sustainable practices.

THERE'S a lot happening in the world of sustainable cannabis. Just look at the rise of industry-specific certifications like Clean Green Certified, Certified Kind, and DEM Pure Certification. Since cannabis isn't a federally recognized agricultural crop, cannabis farms aren't eligible for federal certifications like USDA Organic. In the absence of such certifications, the industry has developed its own programs to promote environmentally responsible cultivation standards.

Chris Van Hook, an attorney and USDA Organic certifier, founded Clean Green Certified in 2004 after seeing an opportunity to bring "organic" cultivation

standards to the cannabis industry. Clean Green Certified is "a farmer-centric environmental organization that provides organic auditing, environmental education/incentives, and legal services to cannabis growers."

Similarly, Certified Kind is "a professional service provider that translates organic standards and audits organic standards in the new context of cannabis." While not federally recognized, both certification programs require farmers to meet the organic standards set forth by the United States Department of Agriculture.

Regenerative farming also is becoming increasingly popular in the cannabis industry. Regenerative agricultural practices have been around

for hundreds of years, but the term "regenerative agriculture" was coined by the Rodale Institute which defines the concept as "working with nature to utilize photosynthesis and healthy soil microbiology to draw down greenhouse gases."

DEM Pure Certification is the cannabis industry's leading regenerative farming certification. Founded by Dragonfly Earth Medicine, a family-run cannabis farm in British Columbia, DEM Pure Certification "recognizes that a farmer is utilizing solely regenerative and biologically intelligent practices."

A few months ago, I had the pleasure of attending the third annual Cultivation Classic in Portland, Oregon. The Cultivation Classic is the only craft cannabis competition in the state with a regenerative approach and, according to the event's organizers, is "the most scientifically rigorous cannabis contest on the planet." As stated on the event's website, regenerative agricultural practices include "proper land management and stewardship, rainwater catchment, groundwater recharge, living soil building, cover cropping, mulching, composting, polyculture, companion planting, and promoting and preserving native biodiversity and wildlife habitat."

On top of the competition and awards ceremony, the Cultivation Classic boasted a lineup of speakers, panels, workshops, and vendors. Speakers included local industry leaders like Laura Day of Yerba Buena and Jodi Hanes of Alter Farms, plus international guests like Nitzan Solan of IsCann in Israel and Ryan Lee of Chemovar Consulting in Canada. Panel topics ranged from breeding cannabis for chemical profiles to the plant's potential as a substitute for opioids and the industry's efforts to promote the inclusion of communities affected by the War on Drugs.

As for the competition itself, entries underwent a rigorous qualitative and quantitative scoring process. One of the more interesting scoring categories was Power Score, which determined



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a cultivator's baseline energy use. The measurement was developed by the Resource Innovation Institute, a nonprofit that aims to "minimize the cannabis industry's contribution to climate change through research-based public-private partnerships."

Winning cultivators at this year's competition included Aroma Cannabis, 7 Points Oregon, Grow Organic, Truly Organic, Bull Run Craft Cannabis, Ebb & Flow Farm, Cascade High Organics, Yerba Buena, East Fork Cultivars, Phantom Farms, Mother Magnolia Medicinals, Eugreen, Pilot Farm, and Green Source Gardens. Most of them have earned at least one of the above-mentioned certifications.

I left the Cultivation Classic inspired by the cultivators I met, the cannabis I

year by 2020. The cannabis industry is on its way to having a real plastic problem.

Without question, lots of producers care about sustainability. Just look at all the participants in this year's Cultivation Classic, the growing number of industry-specific certifications, the increasing popularity of regenerative farming, and semantics trends like the rebranding of "outdoor" as "sun-grown."

Consumers, too, care about sustainability. In fact, studies indicate 92 percent of consumers have a more positive image of a company when the company supports an environmental issue, 84 percent of millennials consider a brand's values before making a purchasing decision, and 90 percent of Generation Z purchases products because of environmental benefits.

100-percent plant-based, chemical-free plastic, not all cannabis packaging needs to be made from plastic. Sustainable alternatives to most commonly used packaging materials exist. For instance, Hemp Press produces paperboard packaging made from hemp, thereby helping reduce deforestation.

Several things must be kept in mind when considering sustainable cannabis packaging. First, most recycling facilities don't accept cannabis packaging, even if it's recyclable, because cannabis isn't federally legal. Second, the largest secondary market for recycled plastics is for non-colored plastics, like polyethylene terephthalate (PET) and high-density polyethylene (HDPE). Regulations require cannabis packaging to be opaque, so most cannabis packaging is colored



THE CANNABIS INDUSTRY WILL GENERATE MORE THAN ONE BILLION UNITS OF SINGLE-USE PLASTIC PACKAGING WASTE PER YEAR BY 2020.

—James Eichner

sampled, and the strong communal effort to create a more sustainable cannabis industry.

At the same time, I couldn't help noticing all the sustainability efforts only target the cultivation side of the industry. There's a strong disconnect between cannabis producers and cannabis consumers right at the point-of-sale, and that disconnect is the packaging. Most cannabis packaging is made from petroleum-based plastic that doesn't reflect the values of either producers or consumers.

PROBLEMS HAVE SOLUTIONS


Projections have placed the cannabis industry's value between \$20 billion and \$40 billion by 2020. At the low end of that spectrum, the cannabis industry will generate more than one billion units of single-use plastic packaging waste per

Furthermore, 30 percent of consumers make belief-driven purchasing decisions more than they did three years ago, and 65 percent of belief-driven consumers won't support a brand that stays silent on an issue they feel it has an obligation to address. Communicating sustainability is a great way to speak to consumers on a deeper level, and packaging is a sustainability issue the cannabis industry needs to address.

Current cannabis packaging doesn't communicate sustainability at the point of sale, and sustainable, organic, and regenerative cultivation practices only go so far to differentiate products on the shelf. If you're a producer, your packaging should reflect your values. If you value the natural environment and your cultivation practices reflect that value, so should your packaging.

Although Sana Packaging produces

polypropylene (PP); there is almost no secondary market for PP. Third, petroleum-based plastics marketed as "biodegradable in landfills" exacerbate the plastic waste problem by breaking down into microplastics that continue to pollute the natural environment.

From a lifecycle analysis standpoint, the most positive environmental impact comes from using plant-based packaging or post-consumer recycled packaging. If you're a "sustainable" cannabis producer, there's no excuse for using unsustainable packaging. Let's address the problems with current cannabis packaging options and close the gap between producers and consumers. 

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A LONE STAR IS BORN

Texas's first dispensary, Compassionate Cultivation, is among the vanguard in the state's nascent medical cannabis movement.

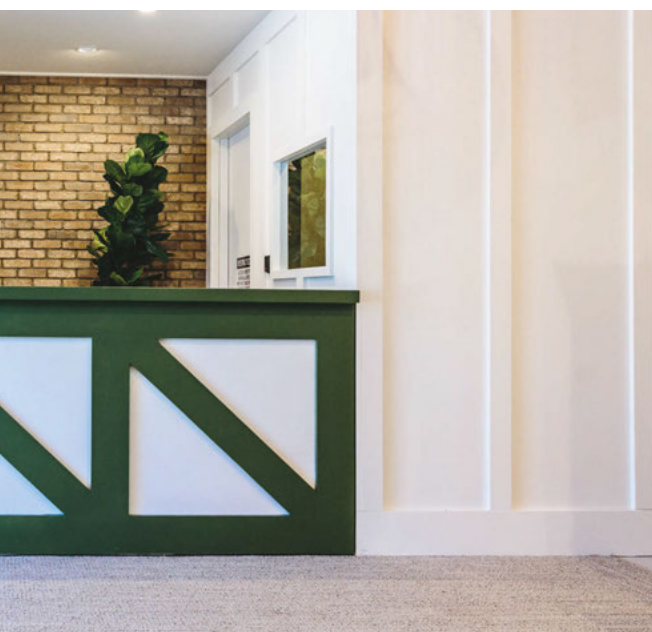
TO say Texas politicians are ambivalent about medical cannabis is an understatement. Morris Denton can vouch for that, because he frequently encounters them in the state's capital. When he introduces himself as chief executive officer for Texas's first licensed dispensary, elected officials' reactions range from "tell me more" to complete silence. "It's amazing to me how our political leaders, when they think they know it all, don't really want to learn anything new," Denton said. "But I would also say those folks are dwindling in numbers, either because they've come to the inevitable conclusion of the inevitability of what's happening or they're being voted out."

Compassionate Cultivation, based in Manchaca, Texas, south of Austin, is one of three organizations permitted to cultivate, extract, and dispense an extremely limited range of medical cannabis products. Denton said the company spent more than a year navigating Texas's arcane legislation and regulations before opening in February 2018, but the city and its residents were supportive throughout the arduous process and they remain so today.

Denton said 95 percent of Compassionate Cultivation's patients—all of whom must receive what Texas law calls a "prescription" from a doctor registered with the state's compassionate use program—don't live in the Austin area. Most patients know very little about medical cannabis. To help patients make decisions, Denton focuses resources on phone consultations, patient relationships, education, and delivery services, which are conducted Sunday through Thursday.

Being the first dispensary to open in Texas, Denton felt the shop had to be welcoming, folksy, comfy, and safe. "One of the things we learned when we did our focus groups with potential patients is that when a person with epilepsy





walks into a room, the first thing they do is look around and gravitate toward a safe spot,” Denton said. “They are always conscious of their surroundings and don’t want to be in a place where, if they seize, they may fall on a sharp object or edge, a glass table, etc.” Denton directed the dispensary’s design firm, The High Road Design Studio, to incorporate soft, neutral lighting and big, homey couches in order to create a retail experience that will “shift the attitudes and expectations about medical marijuana.”


Denton established Compassionate Cultivation’s values long before the dispensary opened: provide patients with high-quality products at affordable prices; deliver the purest cannabis oils using hydrocarbon-free, non-toxic CO₂ extraction methods; and represent Texan integrity by exceeding the state’s strict regulatory requirements. “Our business philosophy is built around a world-class team and responsible leadership that exceeds the state’s expectations,” said Denton. “And most importantly, we’re excited to deliver on the promise of low-THC cannabis to the Texas medical community—and to the many patients and families hoping that CBD-rich cannabis oil can help stop the cycle of suffering.”

Compassionate Cultivation has two competitors, but business has been steady. Denton ascribes the company’s early success to hiring a top-rate team. MJardin operates the grow and Taylor Kirk serves as director of cultivation. “Compassionate Cultivation’s high-quality cannabis strains are grown from seed through harvest utilizing a strict nutrient-management program, integrated pest management systems, and horticultural techniques to ensure our plants receive the proper elements, nutrients, and care for optimal growth,” noted Kirk.

Chris Woods is the director of processing at lab partner Xabis, and Dr. Karen Keough, a board-certified child neurologist who specializes in epilepsy, is the chief medical officer. “The medical community has struggled to understand CBD,” said Keough. “Even though we still have a long way to go, we’ve learned so much that has legitimized this cannabis-based medicine. I, myself, have gone from cautioning patients not to expect too much from CBD to saying ‘let’s see what happens’ to realizing that, for many patients, CBD not only meets their needs but exceeds all of our expectations.”

In May, Compassionate Cultivation was awarded Hottest Startup by the annual Austin A-List, which is coordinated by the Austin Chamber of Commerce and South by Southwest. The accolade, awarded for the first time to a cannabis company, validated the staff’s dedication prior to launch and since, according to Denton.

“It’s gratifying for Compassionate Cultivation to be honored,” he said. “We’re charting a new course in Texas, and this award further legitimizes how the medical cannabis industry will be of great benefit not only to the patients we serve, but also as a real source of economic growth for Austin and beyond.

“Being in the cannabis business is an endless marathon of hurdles,” he continued. “Once you think you’ve got it figured out, something comes along and puts you back in your place. It’s a hard, complex, complicated business that requires significant stamina and resilience.”  —Rob Hill

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SOLVING THE CUSTOMER WAIT-TIME DILEMMA

FACED with long lines during peak hours, The Green Solution in Denver was both blessed and cursed. No business owner objects to brisk sales, but protracted wait times can send customers looking for less-frustrating experiences.

In places where legal cannabis is no longer a novelty, it's important to identify and solve issues quickly before competitors seize market share. Even The Green Solution, a successful chain that has opened sixteen locations in eight years, can suffer damage to its bottom line by allowing challenges to fester.

"We did our best to hire, train, and staff all locations adequately but have experienced difficulties with crowd control and line management as popularity increased," Creative Director Jordan Bryant said.

Bryant said part of The Green Solution's success is due to a particularly customer-friendly attitude and one-on-one service, but long lines threatened the chain's reputation. Clearly, The Green Solution needed...well, a solution.

"We began offering online ordering in February of 2015," Bryant said. After logging in to MyGreenSolution.com, customers may view menus and up-to-date inventory at all The Green Solution locations. While most [competitors'] shops have menus available online, they are not necessarily updated in real-time or reflect how many product units may be in stock. Many shops wait until the end of the day or even longer before updating their menus, which can be frustrating for customers."

The Green Solution offers more than just online ordering. Customers also may request the stores alert them by text

message when their orders are ready to be picked up. The system saves time for both customers and dispensary staff.


"Our ability to offer order status online for customers has drastically cut down on wait times during high-volume hours," Bryant said.

Express checkout lines also help reduce customer wait times, Bryant noted. Similar to Starbucks, customers may place an order online and pick it up at an express counter in a store.

"We've noticed an increasing number of people taking advantage of our online ordering, express checkout, and rewards program app," Bryant said.

As expected, decreased wait times increased customer satisfaction. "We regularly receive positive feedback about our efforts to increase efficiency in our stores," Bryant said. "Our customers have really become part of our family." Some have gone out of their way to show their appreciation, including ordering pizza for the entire staff at one of The Green Solution's locations, she added.

Besides online ordering and real-time inventory, express checkout lines, and text message alerts for customers, The Green Solution also utilizes a tried-and-true approach to decreasing wait times: hiring additional staff. "We have added a tremendous number of staff to compensate for our busiest times," Bryant said.

Like the chain's customers, staff members, too, are pleased with the efforts to keep customer lines flowing. Serving an endless line of customers that never seems to dwindle can take a toll on budtenders' friendly, upbeat dispositions. "Our employees appreciate being able to put together the online orders in advance without a rush," Bryant noted. 

—Danny Reed

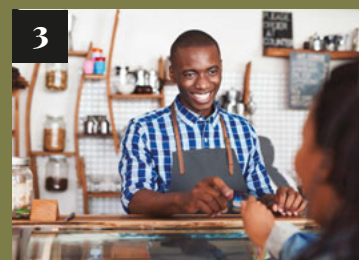
4 Ways to Improve Customer Flow



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Hire extra staff to work peak hours.

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Live resin. Photos courtesy of Lunchbox Alchemy.

LUNCHBOX ALCHEMY: ‘CRAFTING A GLOBAL CANNABIS CULTURE’

By refining its own extracts, the edibles manufacturer hopes to refine the market, too.

ALTHOUGH known for crafting edibles, Oregon’s Lunchbox Alchemy defines itself more as an innovator than a manufacturer. The company attributes a big chunk of its success to research and development with a focus on sustainability.

The company recently completed a 12,000-square-foot, purpose-built facility that allows for rapid, efficient production of extracts and edibles. One of the first structures of its kind in the state, the site houses manufacturing operations for Lunchbox Alchemy’s proprietary, full-spectrum cannabis oil.

“We’ve expanded from a patient-based, Oregon medical marijuana provider to a multi-state, recreationally licensed cannabis company and have come a long way since our first legal cannabis sale in 2014,” said Sales Manager Holly Weig, noting the company expanded to California earlier this year.

According to Technical Director Julyn Andrews, “We craft HVET [high-viscosity ethanol tincture], a whole-plant extract utilizing 190-proof, food-grade ethanol as a solvent. Modeled after RSO [Rick Simpson Oil], HVET is all about delivering a concentrated, full-spectrum dose of all the cannabinoids and wonderful compounds within the cannabis flower that provide a wide array of benefits.”

Each extraction process starts with laboratory testing for pesticides, mold, and mildew, as well as a full cannabinoid and terpene profile. The team examines the size and condition of the trichomes in order to fully understand the state of each unique batch of cannabis. Then, they run multiple internal tests to determine stability, aroma, flavor, and potency. Once they’ve examined the material in detail, they tailor the extraction process for each batch.

The first step in extraction is to reintroduce moisture, using a giant humidifier-like device, until the

optimal level is reached. Then, large or dense buds are broken down by hand in order to expose the maximum amount of cannabinoids without the risk of extracting any undesirable compounds. The prepared material is loaded into custom-built extraction units and then frozen.

Custom machinery designed under Andrews's guidance forms the heart of the company's hydrocarbon extraction process. The equipment permits a level of control Andrews claims is "not presently seen elsewhere in the industry," allowing for precise management of factors such as solvent temperature, solvent contact time, dewaxing temperature and duration, microfiltration, solvent recovery speed, and solvent regeneration and cleaning. The process uses a special blend of medical-grade N-butane and N-propane refined in-house to ensure no unidentified or undesirable compounds remain in the solvent.

Once a batch of cannabis has been extracted into shatter, propane hash oil, and/or sugar wax, it is refined again by dissolving the extract in 200-proof ethanol and then freezing the solution below zero degrees, thereby separating impurities like plant cellulose from the mixture. Once returned to a liquid state, the solution is filtered and the ethanol evaporated, leaving only refined, whole-plant extract. Finally, the refined extract is placed in a vacuum oven where THCA is decarboxylated to THC. The process is complicated and time-consuming, but Andrews said it's what sets the product apart from others on the market.

Lunchbox Alchemy plans to expand its product line to include tinctures, topicals, and the capsules, all of which will be produced in the new facility and distributed from a licensed wholesale warehouse the company also owns.


The company's pursuit of recognition doesn't end with its products. Creative Director Carlos Perez said Lunchbox Alchemy also endeavors to set itself apart with uncommon branding and packaging. "Lunchbox Alchemy, as a brand, is unique in that it doesn't evoke or utilize imagery or themes typical to cannabis—no green, no Rasta stripes, no tie-dye," he said. The corporate color scheme is "bright purple and just loud enough to get the job done while remaining clean and simple."

Perez said consumer feedback has helped the company create packaging that provides valuable information about the product inside. Total terpene and cannabinoid content and cultivar identification are prominently displayed on the front of each package, with the interior displaying an in-depth chart that reveals the five most prevalent terpenes found in the extract. Additionally, complete cannabinoid and terpene profiles for all extracts are available on the

company's website. "We're also proud of the fact that all of our new extract packaging is made from post-consumer material and printed with plant-based dyes," Perez said.

From the beginning, Lunchbox Alchemy has pursued a corporate vision and planned for longevity. The focus has served the company well and given the management team perspective for advice to others.

"Stick with a plan and stay focused," Weig said. "Be aware of the tumultuous and ever-changing market, as this industry is rapidly evolving all the time. Develop standard operating procedures you can rely on to keep your business running smoothly and update them often to reflect your growth. Construct a brand that would stand out in any marketplace, not just the cannabis industry.

"Sophistication is never punished," she added. "We are all crafters of the new global cannabis culture." 

—Leah Maurer



LUNCHBOXALCHEMY.COM



UPPING PROFIT MARGINS WITH GREENHOUSE GROWING

BY CHRISTOPHER MACHNICH

WHETHER it's medicinal or recreational, cannabis legalization continues to roll through the United States. While growers initially were jealous of those in Colorado and Washington who got to participate in some of the nation's first cannabis markets, they can learn from the first-wave growers. Those who have been following the horticultural and economic trends of cannabis now have an invaluable advantage, and they can use this to maximize their potential for success in local markets. Without a doubt, one of the biggest lessons growers can take from established markets is not to underestimate the level of competition.

In existing markets, grow operations need an airtight business model that maximizes profitability. Success isn't about growing the highest-quality pot anymore. Instead, success requires growing the highest-quality cannabis at the lowest cost per gram. That means growers and business owners must make smart choices from the very beginning. Every operational decision should be filtered through the assumption that whatever boosts profitability the most may be the best solution.

With this in mind, let's take a look at three ways cultivators can produce topnotch bud at the lowest cost per gram, allowing them to maximize profitability and set the standard in their market.

DON'T BE AFRAID TO SPEND MONEY UP FRONT

Trying to cut costs in the beginning is one of the worst decisions a cannabis operation can make. Cultivators should look for ways to set up cost-effective grows that allow them to produce the highest quality crop while maintaining energy and labor efficiency. In many cases, this may mean going a more expensive route in the beginning.


Spending the money to find the best head grower can put an operation on the path to success from the very beginning. After all, this is the person responsible for creating the product, and nothing is more valuable than having an expert grower who can be trusted to make the right production decisions. An expert grower with experience in agriculture and/or existing legal markets can help cultivators make the design and procedural choices that will empower them to reach their full profitability in the long term.

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A year-round greenhouse operation. Photo courtesy of GrowSpan.

Paying for and obtaining the required permits and licenses is essential. It's staggering how many operations seek to move forward on expensive projects before they have the paperwork required to conduct business. Cannabis operations often are met with some opposition or apprehension from the local community, so purchasing or acquiring leases for appropriate facilities and paying all required fees and taxes is imperative. This absolutely isn't the area to try to save money.

Instead of making sound cultivation decisions, some operations choose to hire a head grower who doesn't possess commercial production experience or opt to retrofit an available space. This usually means outfitting warehouses with the required climate control equipment; electrical systems; heating, ventilation, and air conditioning; and other expensive building alterations. Increasingly, operations that opt to go the indoor-grow route are finding they can't produce profitable harvests, which forces them to seek other production options. This is a perfectly reasonable solution...unless they borrowed money to set up their indoor grow and haven't paid off the loan. A sounder choice would have been to spend the money required to create an operation from scratch.

HARVEST YEAR-ROUND

Greenhouse growing is the easiest way to produce profitable harvests year-round, and extending the growing season offers opportunity to extend profits. Operations that utilize greenhouses find them to be the perfect blend of indoor and outdoor growing. Greenhouse grows can produce high-quality cannabis like an indoor operation while limiting many of the energy costs associated with indoor production and also creating a better-protected environment than outdoor growing allows.


Growers producing in greenhouses may use climate control systems to create a finely tuned environment where their crops can thrive, but they also can take advantage of Mother Nature's largesse. While an indoor grow needs to run an HVAC system constantly, greenhouse environments often can be adjusted simply by opening a ridge vent or rolling up the sides of the structure.

Most notably, greenhouses may take advantage of Mother Nature's help to reduce lighting costs. While indoor grows must employ expensive, energy-consuming lighting that runs twelve hours a day, greenhouse cultivators may utilize the sun's natural light. Of course, greenhouse growers still have to manipulate the light cycle, so blackout systems and supplemental lighting usually are required. Still, the potential energy savings are enormous, and that in itself can establish a more profitable crop.

Depending on the location, greenhouses also may be eligible for energy rebates. With the demand cannabis businesses place on the electrical grid, many electric companies offer financial incentives to operations that limit strain on the grid. Eligibility requirements vary depending on the energy provider, but often a greenhouse combined with LED lighting can put a cultivator in a good position for either money back or a lower rate.

EMBRACE AUTOMATION

While greenhouses can reduce energy costs, automation allows operations to reduce labor costs. Today's technology increases cultivators' ability to make climate control equipment work in unison. From one central location, growers can manage their equipment and set it to run on a timer or utilize a feedback loop.

Feedback-based systems rely on sensors placed throughout the grow space. By constantly monitoring changes in the environment, sensors signal equipment when to turn on or off. If the environment becomes too cool during the night, the system will run the heater; if humidity fluctuates, vents can be opened or closed automatically. Feedback systems are a good way to cut labor costs. By combining them with an engineered greenhouse, operations can take advantage of a production powerhouse that all but ensures the most profitable harvests. 



CHRISTOPHER MACHNICH is a digital marketing manager for GrowSpan Greenhouse Structures. He is a cannabis industry enthusiast who focuses on greenhouse and hydroponic production as well as the cultural and economic impact of cannabis legislation.



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THE DOG DAYS OF CANNABIS

July 1 brought lots of extra shelf space in California's legal pot shops.

BY TOM HYMES

DISPLAY shelves in California's cannabis shops experienced a sudden transformation July 1 as the deadline passed for companies throughout the food chain to reach full compliance with a raft of regulations covering everything from lab testing and child-protective packaging to in-store product displays. As necessary as many of the regulations may be, the cost and complexity of complying with them left many brands unable to participate in the legal market at the stroke of midnight July 1. The immediate result was jarring: shelves fully stocked with flower, oil, concentrates, topicals, and edibles at closing on June 30 looked like something out of Soviet-era Moscow the following morning, barren but for a few loaves of stale bread.

The situation varied from store to store. Some shops with licensed cultivation at the location were able to get legal harvests through the testing and packaging process with little downtime. This was rare. Shops dependent upon sourcing their products are the mainstay of the industry and they were in a completely different situation, wholly reliant upon a regulatory and supply-side system that can be described only as a work in progress. As a result, retailers often simply do not know the disposition of brands, many of which are unable or unwilling to state unequivocally whether they are in or out of business. The term "on hiatus" is used of late by companies eager for the industry to anticipate the return of their products. As everyone

knows, however, dormant brands do not have a terribly long shelf life in consumers' hearts. What matters is what's visible on the shelf.

In that regard, after July 1 budtenders struggled to explain why product that was legal one day was illegal the next. Managers assured customers brands and strains of flower that traditionally had been carried by their shops soon would be back—claims that may or may not have been true. Anecdotal evidence suggests many of the brands available before July 1 will return, but some never will. The resulting transitional uncertainty, while unsettling for almost everyone involved, is about to unleash a second wave of brand launches. The new products, some of which already are available for sale, are themselves pioneers of a sort: the very first generation of legal cannabis products available in California via licensed retail and delivery only.

ORDERS SURGE

What data exists suggests statewide orders from cannabis retailers spiked dramatically. According to LeafLink, which streamlines inventory management and ordering processes for 600-plus brands and more than 2,000 retailers nationwide and has been tracking the movement of the newly regulated cannabis market in California since July 1, the company "has had its highest weekly order volume to date in California, signaling the maturation and eagerness of the legal market to adapt to these new regs."



STOP

“

WE CAN'T HOLD THE
DISTRIBUTOR RESPONSIBLE
IF SOMETHING IS NOT
COMPLIANT.

—Aaron Justis, president, Buds & Roses



budsandrosesla.com

A few statistics noted by LeafLink in mid-July include:

- ▶ Retailers spent 59 percent more on products from the prior week, with a 196-percent increase from what was spent the week of June 18-24 leading up to the July 1 regulations.
- ▶ Based on orders through late July, LeafLink expected retailers to spend triple the amount they spent in June.
- ▶ Retailers placed bigger orders. Cart size, or the average amount ordered per retailer, increased 22 percent from the week of June 18 to the week of July 9.
- ▶ Companies that updated their product images with a “compliant” badge created by LeafLink saw their sales grow 201 percent in July compared to 46 percent for brands without the badge.

PRODUCT AVAILABILITY

Determining precisely how much legal product is available in California is no easy task, especially since the numbers keep changing. In mid-July,

Leafly compiled a list of brands that survived what it called the “California #weedapocalypse of 2018” but acknowledged the list was very much a work in progress and likely would expand. The list contained about seventy flower brands, the same general number of extract brands, about forty edibles brands, and eight topicals brands.

“Call ahead to your local retailer to ensure your brand is in stock,” suggested Leafly, and there could be no better advice. That a brand survived the #weedapocalypse was no guarantee it could provide enough product to supply even local shops. Being on Leafly’s list did not even mean a brand had all its ducks in a row packaging-wise. Retailers said it is their responsibility to vet the claims made by vendors and distributors as to the compliance of a brand or product, and experience has taught them such vetting is a necessary part of doing business.

“We can’t hold the distributor responsible if something is not compliant,” said Aaron Justis, president of Buds & Roses dispensary in the trendy Sherman Oaks area of Los Angeles. “We make the check. In a few cases, brands told us they were compliant, and we had to tell them, ‘You’re missing this and this.’ They had to redo those things. I think there is a lot of that going on with some of the new companies, especially.”

Some of the more experienced brands had no such issues, mainly because they saw what was coming and prepared appropriately. “We had to put on additional shifts to manage the new packaging requirements and our growth,” said Adam Grossman, founder of Papa & Barkley, a manufacturer of tinctures, balms, and other products. “Our logistics team has been working nights and weekends to repackage orders and take care of our dispensary partners who were affected by the packaging changes.” As a result, Papa & Barkley products were ubiquitous on the shelves in late July.

Other brands were similarly situated, but many also were backlogged, waiting to get through the lab testing process or simply unable to scale sufficiently to meet the demands of a hungry statewide market. Indeed, so many brands were in a precarious situation of one sort or another that it serves no purpose to identify them by name lest we influence their demise. Licensed retailers also are under duress in an immature market that still includes a healthy dose of black market activity. Forced to become virtual slaves to the state, with the future bearing down on them like a freight train, they know they must have a plan for survival beyond a mere retail shop or two. The margins in that game simply don’t add up otherwise.

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"Luckily for me, we decided late last year to focus not only on building out our brand, but also on manufacturing, processing, packaging, white-labeling, and wholesaling," said Gregory Meguerian, owner of The Reefinery dispensary in south Van Nuys. "Because of that, I've been able to [stay ahead]." Meguerian, like Justis, holds a micro-license, which allows him to create as much of a self-sufficient business model as possible by vertically integrating. Like cultivators, who need to find ways to derive value from the entire plant to compete, California's cannabis retailers are faced with two stark choices: diversify or go big. Not surprisingly, the ways in which retailers put those choices into action are as varied as cannabis strains.

Throughout Los Angeles, the cannabis available to consumers still depends on the individual shop they enter, but in legal shops in July, at least half of the inventory consumers were used to seeing was gone. Much of the product in stock was new to them.

BUDS & ROSES

Located on a leafy section of Ventura Boulevard in a brick building adjacent to a sidewalk café, Buds & Roses is about as successfully branded a cannabis dispensary as exists in Los Angeles. It's not just the catchy name but the effective marketing skills of Justis that have made his shop a bona fide tourist destination. Still, he is considering a public reopening of the store now that the operation finally is legal.

"It's like Buds & Roses is opening for the first time," he said. "It's great." Before, all he and the other Los Angeles-based pre-ICO shops had was an affirmative defense to be used in court in case they were raided by law enforcement.

Justis recently acquired the second story of the building the shop occupies and soon will start building out the space to include offices, a grow, and plenty of room for manufacturing. He said he saw what was coming with the July 1 deadline and planned accordingly.

"We just didn't order a lot of product," he said. "We let stock run low, and we ran out of some product about a week before [July 1]. We had a couple of sales but managed our inventory, so we didn't have to have too many. Flower is no longer 70 percent of sales but it's still the bulk, so we were well-stocked with flower. It was some tinctures and specific products we didn't have, but we were pretty good on flower and had some edibles.

"We just got in a concentrates brand that's temporary, which is not a great thing to do to customers," he continued. "But it's going to happen

in a few categories, and concentrates is one of them. The few companies we were working with don't have product but hopefully will soon.

"And then we also messaged vendors to make sure they would take care of us in the long run," he added. "If we destroy some product, will they credit us? Things like that."

He's also keeping a list of products his customers want to be informed are back. "We have a long list," he said. "I think people appreciate it."

Known for his veganic flower, Justis said Buds & Roses dialed down cultivation with an eye to using the period for research and development and then growing the grow from there.

"Our other grows were not built for a regulatory environment," he explained. "So, late last year we stopped all cultivation and started building out the space here for the licenses. We're about to harvest again in about three or four weeks in this building. We want to perfect our cultivation on a small scale and then build it out from there. We're starting over, starting small, and building out [our stock]."

Buds & Roses also is known for its curation of quality products, and Justis has no intention of letting that distinction wane. "We source a lot of flower, and I think that's something we're going to be known for going forward," he said. "It's curating all products, but it really starts with the flower. We're really focused on our long-term relationships with the cultivators."

He's also bringing in flower grown in environments other than indoors. "I think [light-deprivation] serves a good purpose, even for our demographic. Sun-grown and lower THC and terpene profiles and all that, but a better price," he said. "We're open to it, and right now we're carrying Flow Kana."

Flower needs to be assessed on a case-by-case basis. "For me, it's about the quality of the flower and being able to test it," he said. He's worried new methods of distribution will forgo the time-proven methods of buying product.

"We've been getting prepackaged for a while, but it used to be you'd look at a pound and like it, and look at another pound and say, 'I don't want this one.' Now they have a list of prepackaged eighths, and the truth is two or three out of six might not be that good. I don't want to be forced to buy all of them. It reminds me of satellite TV packages, where you pay for channels you don't watch."

It's a tough situation all around. "The growers have taken the time and expense to package all these eighths, and they have to move them," acknowledged Justis. "They're not exactly demanding that we take everything yet, but it's going to be an issue."

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TO NORMAL. AND
THE TRUTH IS, IT'S GETTING
EASIER IN MANY WAYS TO
GET PRODUCT.

—Gregory Meguerian, owner, *The Reefinery*



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It's not the only area of potential conflict. A scarcity of product in a competitive marketplace holds the potential for long-term damage. "Vendors [are wary] of supplying some dispensaries and not others," he said, "because as a customer, if there's product I need and I see it somewhere else—and [the distributor says], 'Yeah, we only had enough for them and we'll have yours in a few weeks'—I'm going to hold that against them. I will probably be looking for something to replace them." He paused and added, "That has happened. We're not going to forget. We'll never forget."

But that's just a blip in the big picture, which Justis always keeps in perspective with the motto, "Regulation is better than getting raided." In that regard, even the subject of lax enforcement of illegal shops doesn't damp his optimism.

"They need to step up enforcement of rogue shops, but my focus is on the future," he said. "I think in a month or so, things should be back to normal. And the truth is, it's getting easier in many ways to get product. Starting late last year, many of the people we were working with [became] more professional.

Now, with regulations being finalized, it's getting even easier."

Going digital will make things easier still. Buds & Roses now uses Simplfya to, well, simplify things. The store uses Greenbits as its point-of-sale system.

"It's time now to really be a retailer," Justis explained of the additions. "I know there is this idea of running a mom-and-pop store, but they don't really exist anymore. It's too competitive. If you're not using advanced retail techniques, like loyalty rewards, it's a downhill battle. You have to be super-serious about retailing. Our competitors are consolidating, getting bigger, and putting pressure on us. There are quite a few large retailers. I do look at MedMen as sort of the 800-pound gorilla in the room, but there are other large retailers making more money than them."

So, what is his strategy to compete with the large retailers? "For me, it's about building a brand and having a retail experience, because things are moving to online ordering and delivery. I'm focused on the long term and curation, which means constantly reeducating ourselves.

"I knew this would be a transitional year and it wasn't going to be exciting in terms of meeting new sales goals," he added. "We were going to lose some money, but that's the industry as much as all the renovations necessary to get into compliance—building the vaults, installing the security systems."

THE REEFINERY

Meguerian, owner of dispensary The Reefinery, is using the significant advantages that come with his location in a commercial area of the San Fernando Valley to build an ancillary wholesale business that easily could rival his retail ambitions. A longtime member of the cannabis industry, Meguerian also has the advantage of knowing not only everyone in the Los Angeles cannabis community, but also where all the bodies are buried. A strategist by nature, he planned for July 1 by starting to get rid of non-compliant product via price reductions months before anyone else picked up the practice.

"The state gave you 180 days, up to July 1, to get rid of it," he said. "Unfortunately, some people overbought in the worry there wouldn't be enough legal product, leaving all this phase-one product [unsold]."

On the supply side, Megourian saw a lot of unfocused behavior from vendors. "I don't know what the heck they were thinking, because as a manufacturer or cultivator you have one primary thing to think about: Is your product legal and compliant?" he said. "You knew the July 1 deadline was coming.

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"Some of these companies were making plenty of money," he added. "They were focused more on money than compliance. It happens. 'Let's keep it going, keep it going. We'll figure the compliance out later,' and then in the blink of an eye half the year is gone. What the brands should have done is hope for the best and plan for the worst. Anyone who planned for the worst would not be in a bad situation now. That's just reality.

"They are going to come back, but do I know why it's taken all this time? No. It's upsetting when you don't have a logical answer for something."

Megourian employs a buyer, but he recently had to step in personally when some brands began withholding product like what Buds & Roses experienced. "I had to get involved and let them know I need this product, and if I see it in another store within a certain radius before we get it, I'm going to be pissed and I'm going to reconsider whether I'm going to carry their product again," said Megourian. "I understand they're stressed-out and under a lot of pressure, but that's not an excuse."

Established brands that had been on "hiatus" slowly returned to The Reefinery shelves, though Megourian said he kind of likes having fewer SKUs to deal with. What truly sets his business apart right now is that he is aggressively building his wholesale business at the very time it is needed. He currently has eight strains of flower available in The Reefinery-branded jars of eighths, as well as a pack of prerolls similarly branded, and he is selling the products not only at The Reefinery, but also in more than twenty other retail shops throughout the city.

"Right now, my shelf is all Reefinery flower except for a few brands, but not many," he said. One of those brands is Erik Hultstrom's Legacy Strains. A longtime Los Angeles grower, Hultstrom is in the process of obtaining a license. In the meantime, Megourian is keeping a few of his branded strains on the market, a goodwill gesture that is also good business.

"I want Eric to survive and have a bigger grow so I can distribute him," said Megourian, who seeks to meet the needs of the Los Angeles retail community any way he can.

"I don't mind if one of the other stores approaches us and says, 'Hey Greg, I have this contact and they'll sell us this much in bulk. Will you purchase it with your distribution license, white-label, package, and label it for us? And what would you charge us for that?'

"Let's sit down and make a deal," he added. "There is always a way to make a deal. That's why I'm working on my offsite location [in Van Nuys], because I want to

do processing and labeling. I want to do a lot of white-labeling and help people build their brands. I think that's a very important and vital part of my business."


Megourian is serious about staking his claim to wholesale distribution in the city of Los Angeles and believes he brings very special advantages to bear. "I pretty much know everyone, and I'm not greedy," he said. "I could be the nicest guy in the world. Everybody could love Greg. But at the end of the day, if those numbers don't make sense for the licensees, they'll go to another distributor."

He also knows the business inside-out, which means he knows exactly where to place price points to his and his customers' greatest advantage. "That I know this market so well is a huge advantage," he agreed. "People come into this market with crazy numbers and ambitions: 'I'm going to charge you 20 percent of your gross revenue.' Okay, but who the hell are you?"

In addition to The Reefinery, Megourian—a Marine veteran who has also served various industry trade associations—plans a vape line that will be branded differently. He wants both brands made available to consumers throughout the state and intends to use local distributors when appropriate. "The goal would be to work with a northern distributor for NorCal sales," he said. "The local distributor knows the region. They know their people, and the people know and like them. They're one of their own. They're worth what you're going to give them."

He could make the same pitch for his own services. In addition to retail and wholesale, The Reefinery imminently will start delivery services, first to existing customers and then to the public. Several other projects are also underway or percolating. Each day brings new adventures.

"I compare us to the modern family, where you have to have multiple incomes to survive," said Megourian. "Our business is a micro-business; we have multiple things going on. We need to have multiple revenue streams to compete against the large retailers. Our model is different, but that's because we want to build a brand that stands for something."

Long-term goals are modestly ambitious. "I don't want to be Starbucks," he said. "I want to be The Reefinery. I want to set up a franchise model based on The Reefinery, where I can go in and train people how to be good general managers. I want to make people successful even as I spread my wings." 



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ADAM GROSSMAN

The alchemist behind the Papa & Barkley brand.

BY ROB HILL

FOR PAPA & BARKLEY founder Adam Grossman, cannabis is a magical elixir. Weed helped him recover from debilitating injuries, sharpened his mental faculties, and expanded his spiritual awareness... not necessarily in that order.

"I think in earlier years the spiritual and mental health aspects were primary for me," Grossman said. "As I get older, I have been amazed by the relief it provides from chronic pain and just normal soreness and injuries from working out."

The herb didn't become his life's work until he watched loved ones suffer. His father, Morton, was bedridden with debilitating back pain, leaving him unable to care for Adam's mother, an Alzheimer's patient. Endless trips from New York City to Boston to ensure the elderly couple was well-cared-for left Adam exhausted, frustrated, and feeling helpless.

So, he decided to take action. At night, after long days caring for his parents at hospice, Grossman morphed, like some cannabis superhero, into a mad mixologist, adding this and that elixir to high-grade cannabis oil he bought from producers in the Emerald Triangle. After concocting what would become Papa & Barkley's Releaf Balm and using it himself to treat an old injury, he convinced his father to give the product a try. Within a few months, papa was home and able to

play with his beloved dog, Barkley, a handsome, stoic, and gentle seventy-five-pound red-nosed pit bull. "He would not leave my dad's side, including sleeping in the bed with him, under the covers, every night," Grossman said. "He was a powerful source of love and comfort to my dad." Papa Grossman lived two more years. His legacy lives on in the company named for him and his best friend.

Forming a cannabis company was never on Grossman's professional agenda. He graduated from Georgetown University in 1987 with law and master of business administration degrees. After five years of practicing business law in Los Angeles, he joined a classmate to build a specialty finance business, Stone Street Capital, in Washington, D.C. They sold the company in 2000 and started investing in startups like Northeast Dental Management, where they used their operational expertise to help the companies grow. NEDM, for example, quickly grew from eleven to thirty-five offices and was acquired by a larger private equity fund. Grossman's experience scaling NEDM from early stage into a multi-state, compliance-heavy, consumer facing platform prepared him to turn his midnight cannabinoid concoctions into a multi-million-dollar cannabis company.

Initially, Grossman wanted only to invest in other people's cannabis businesses. "Our goal was to find



An Investor and Entrepreneur: Grossman at a glance.

2000-2002	2000-2016	2003-2005	2009-2010	2011-2012	2013-PRESENT	2015-PRESENT:	2016-PRESENT:
Managing director for U.S. Capital LLC, a venture fund targeting early-stage technology businesses in Latin America.	Managing director for The Alta Fund, a consulting firm and investment fund providing advisory services and growth capital to early-stage and middle-market companies.	COO for Seneca One Finance, a specialty finance company that now is the largest purchaser of lottery receivables in the U.S.	Founder and CEO of Brain Computer Interface, a biotechnology startup focused on applying leading-edge electroencephalograph (EEG) technology to diagnose brain conditions.	COO for Northeast Dental Management, a New York City-based, thirty-clinic dental practice management company.	Co-founder of Give to Cure, a charitable 501(c)(3) online crowdfunding platform that funds and supports early clinical trials in selected disease areas including Alzheimer's.	CEO of Egg Rock Holdings, which invests in and operates companies in the wellness and nutraceutical markets.	Founder and CEO, Papa & Barkley.

great operators and help them grow in this dynamic entrepreneurial ecosystem,” he said. But after the life-changing experience with his father, he began giving away samples of the balm to family and friends. The feedback was astounding, he said: Everyone wanted more—immediately. “I began pursuing it as a passion project at first,” he said. “Then I came to California and met my partner, Guy Rocourt, who is a genius at product creation and extraction.”

Together, they formed Papa & Barkley. The company now produces five additional products: a body oil, a bath soak, capsules, transdermal patches, and tinctures. According to a recent *Forbes* magazine article, the company is approaching \$1 million a month in sales. P&B has offices in Los Angeles and Eureka, California, and a distribution center in Sacramento. Rocourt, who has been cultivating cannabis in California for almost twenty years, spends most of his time in Eureka, working closely with local farmers and processors. Grossman calls him “a wizard in whole-plant extraction.”

“Whole-plant extraction is the reason we believe the products work so well,” Grossman said. “The products are triple-tested, too. The farmers, who are second- and third-generation, provide us with a test in something called the track-and-trace program. There are no heavy metals, no pesticides, and the plants are tested for microbiology and grown with care. We don’t buy them if they are not tested. We then do an infusion, which is then tested. Our final product is then tested again.”

The final product is bottled in a handsome glass container topped with an elegant wood cap, creating an aesthetic that is at once medicinal and trendy and would look right at home in any boutique spa. The aroma is earthy, pleasant, and potent. “No oil residue, either,” noted Grossman.

mg: WHAT DO YOU HOPE THE PAPA & BARKLEY BRAND SAYS TO CONSUMERS?

Adam Grossman: I hope the brand represents trust and caring for the those we love. Trust that our products are of the highest quality and very effective. We strive to create best-in-class products based on potency; our milligrams-per-gram ratio is very high. For us, science is key. We currently are doing a clinical trial in Israel and have scientists on our board. And, of course, purity: All of our products are solvent-free. We view ourselves as an evidenced-based nutraceutical company and feel a responsibility to demonstrate, especially to people inexperienced with cannabis, about how cannabis products can truly take away pain and improve people’s lives.

WHO IS PAPA & BARKLEY’S CORE CONSUMER?

Our core consumer is educated and curious and tends to be active and a little older. Our key demographic groups are DIY healers, women in their 30s and 40s who are quality consumers and health-conscious, weekend warrior types or aging athletes like me, and chronic-pain managers, which includes seniors and skews older [as a demographic]. I personally have a soft spot for educating and caring for elderly folks. We have been coordinating lots of wonderful events in that community.

PAPA & BARKLEY SEEMS TO HAVE PRODUCT RATIOS FOR JUST ABOUT EVERYONE.

We believe in the entourage effect. All of our products have ratios of CBD to THC—for instance, our 3:1 CBD:THC pain balm and our 1:3 CBD:THC transdermal patch. We make a variety of topicals, including pain balms and transdermal patches in various formulations, as well as consumables such as tinctures and capsules. Because we each have a unique endocannabinoid system and health situation, we try to provide multiple form factors and ratios so consumers can find what works for them.

RELEAF BALM WAS YOUR ORIGINAL PRODUCT. IS IT STILL YOUR BEST SELLER?

Yes. It’s super potent, four to five times more so than our competitors. It provides great value, too. The THC-rich formulation is pain-focused while the CBD-rich balm is especially effective on inflammation. Our CBD-rich tinctures and capsules are doing well too, as people are taking them as a daily nutraceutical with great effects for sleep, anti-anxiety, and sports recovery.

YOUR NEW RELEAF TINCTURES HAVE GOTTEN AMAZING REVIEWS.

Our tinctures are very pure and highly concentrated at 30mg/gram. The 30:1 CBD-rich tincture is taken by folks to help with sleep and anxiety as well as more serious conditions. The 1:3 THC-rich tincture helps with chronic pain management and can be dosed up and down appropriately. The 1:1 CBD:THCa tincture uses THCa, which provides THC to patients who need it but is not nearly as psychoactive as THC.

YOU’RE AMONG THE FIRST IN THE INDUSTRY TO USE 3D PRINTING TECHNOLOGY TO PRODUCE PRODUCTS.

Yes. For our Releaf Patches, we use 3D printing technology to ensure precision dosing. They come in four formulations and provide a slow release

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of approximately 3mg per hour for twelve hours. Transdermal patches work great in some unusual situations. An older lady we work with buys [CBD patches] for her husband to wear every day. He has dementia and had been starting to curse at her for the first time in their 40-year marriage. With the patch on, he doesn't.

PAPA & BARKLEY HAS DEVELOPED A REPUTATION AS A COMPANY PEOPLE WANT TO WORK FOR. WHAT'S YOUR SECRET?

Our employees are the key to our success. This is very much a team sport, and I think we have the best team in the business. We have focused on building a great company culture—it really is like a family, which can be tough at times, but it's so worth the extra effort to be thoughtful about culture. We always try to treat people with respect and ask for their opinions. We have ongoing surveys for feedback and monthly all-hands video calls to stay in sync. We do a lot of company teaming events like river trips and baseball games. We volunteer in the community and participate in environmental cleanups. We put in a 401(k) plan very early on—with matching—and lots of employees are also company shareholders. We definitely promote from within.

PAPA & BARKLEY WAS ONE OF ONLY A HANDFUL OF COMPANIES READY WHEN CALIFORNIA WENT ADULT-USE-LEGAL. HOW DID YOU SUCCEED WHERE OTHERS DIDN'T?

We had to put on additional shifts to manage the new packaging requirements and our growth. Our logistics team includes people like Brandon Robinson and Houston Smith, who have been working nights and weekends to repackage orders and take care of our dispensary partners who were affected by the packaging changes. We would be lost without their work ethic and leadership.

I could go on and on regarding our people. Jon O'Connor keeps us on track in Eureka and statewide from a compliance perspective. I think we have more than thirty-five employees in Eureka now and close to the same number between Sacramento and Los Angeles. It's amazing to be able to ride this wave and to help open people's minds to the incredible power of this amazing plant.

HOW HAS YOUR BUSINESS CHANGED SINCE ADULT USE BECAME LEGAL?

We have been super lucky on the response to our products and finding good people, so we have been growing steadily since we launched. In terms of revenue,

however, we have had some lumpiness, largely due to regulatory changes, but otherwise have been growing steadily at an average rate of 15 percent per month. We are scaling across all elements of the business, including the required extraction of oils, product development, production, sales, distribution, and delivery. It is a complicated model, as we are doing almost everything aside from growing and retail ourselves. We are moving quickly to scale productive capacity. We are very bullish on the long-term prospects of the market.

WHAT ARE YOUR DAY-TO-DAY DUTIES?

My duties change from day to day, but lately they have been a lot about real estate and how to expand production. Also, legal compliance and how to manage the new regs. I am also responsible for raising money and interfacing with investors. Managing the growing team can be a challenge. I don't seem to have the time to spend with folks that I used to.

HOW DO YOU STAY AHEAD OF THE COMPETITION?

Our products are purely made, carefully tested, very potent, and highly effective. Our potency tends to be the first and most significant difference, as our products are usually much more potent than competitors'. We are therefore a better value for consumers from a cost-per-milligram perspective, if you do the math.

It is really expensive and difficult to do what we do. We create and produce a diverse portfolio of highly effective pain and wellness products, delivered consistently at a very high level. It's all about execution and, in this market, problem solving. We try to stay focused on our core mission and don't really think much about competition. There's plenty of room for people making quality products in this growing market. We think of it more as "coopetition" and are trying to build a community.

WHERE DO YOU SEE GROWTH OPPORTUNITIES? WILL YOU BE ACQUIRING? EXPANDING?

No acquisitions are planned, but we will continue to grow organically. We are launching Papa & Barkley Essentials, our CBD-only business, this fall in Colorado. It will sell a CBD-only formulation subset of our products that can be sold online and in other states. This will give us a chance to build an online presence and sales capability, and to extend the brand to folks in states that don't yet have safe access.

WHAT HAVE BEEN YOUR BIGGEST OBSTACLES?

Navigating the changing regulatory rules. Staying focused when there are so many potential strategic

THE GOODS: *Anatomy of a holistic line.*



RELEAF SOAK

Concocted of Dead Sea salts and essential oils, Releaf Soak relieves aches and pains while leaving skin smooth. In CBD:THC ratios of 1:3, 1:1, and 30:1.

RELEAF TINCTURE

Releaf Tincture can be applied under the tongue, swallowed, or put in a beverage. Ratios: 1:3 and 30:1, plus a CBD:THCa of 1:1.

RELEAF PATCH

Micro-dose formula provides whole-body relief for up to twelve hours. CBD:THC ratios of 1:3, 1:1, and 3:1.

RELEAF CAPSULES

Each vegan capsule contains 30mg of full-spectrum cannabinoids and should be taken with food. Seven-count and 30-count bottles; in CBD:THC ratios of 1:3 and 30:1.

RELEAF BALM

The product that launched Papa & Barkley, Releaf Balm targets pain without entering the bloodstream. CBD:THC ratios of 1:3 and 3:1.

RELEAF BODY OIL

Releaf Body Oil can be used after a workout or as a recreational massage oil and skin moisturizing agent. CBD:THC ratio of 1:3.




directions to go in. And keeping up with demand, without ever sacrificing quality

DO YOU HAVE A HERO?

I really respect Teddy Roosevelt and, of course, my dad. He was not a great businessman, but he was always looking at things positively; looking for the best in a situation or in a person. He had great empathy. [The P&B management team] tries to apply that philosophy in our business. We try to look for the optimum outcome in a business situation and put ourselves in the shoes of the people we work with, starting with those who use our products and our dispensary partners. I always ask, "What is the best possible outcome we could hope for?" Then, we see how close we can get to it.

WHERE DO YOU SEE THE COMPANY IN ONE YEAR, FIVE YEARS, 10 YEARS?

We want to be an international brand. In one year I want to be growing steadily but carefully, still focused on California. In five years, it would be great to be a national brand, or at least be present in some other states that make sense for us, so long as we can ensure the quality is there. Input product is king, and it is not easy to replicate Humboldt County flowers. In ten years we want to be all over the world, making people feel better. 



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A person wearing a dark, long-sleeved button-down shirt and dark trousers is seated. Their right arm is raised, holding a white smartphone. Their left arm is also raised, holding a yellow pencil. The person's legs are crossed at the ankles, wearing black lace-up shoes. The background is a plain, light-colored wall.

**'WOMEN-ONLY' STARTUP INCUBATORS, TRADE GROUPS,
AND SOCIAL NETWORKS ARE BUILDING FEMALE-FRIENDLY
FOUNDATIONS WITHOUT GLASS CEILINGS.**

BY JOANNE CACHAPERO

IN MANY WAYS, the modern feminist movement has grown up alongside advocacy for drug policy reform. In fact, the societal changes both movements have worked toward have happened very, very slowly. The Marihuana Tax Act, adopted in 1937 (back in the days when folks spelled the word with an H), which effectively prohibited cannabis on a federal level, was enacted only seventeen years after American women won the right to vote.

Boss



“

WE HAVE TO RUN FASTER,
WE HAVE TO TRY HARDER,
AND WE HAVE TO BE TWICE
AS MOTIVATED TO GET THE
SAME RESULTS [AS MEN].

—Attorney Amy Margolis, founder of *The Initiative*



Ladies back then still wore bloomers and woolen bathing suits. Jazz Age cuties and flappers like young actress Joan Crawford (later of *Mommy Dearest* fame) were considered fast, immoral women—the kind who drank bathtub gin in speakeasies, rode in open cars, and smoked cannabis, no doubt. Scandalous women of ill repute let loose in a man's world. Sailor, beware!

Yet, women's roles in the workplace were expanding even then, in the years before World War II.

The World Health Organization estimates that, if change continues at the current rate, the global gender pay gap won't close for another 217 years. Worldwide, pay inequality hovers around 23 percent, meaning, on average, women make seventy-seven cents for each

dollar men make. For women of color in the United States, the situation is even worse: Hispanic women are currently at the bottom of the pay scale, making less than sixty cents for every dollar earned by a white male.

A January 2018 study by nonprofit women's trade advocacy group Catalyst found women hold only five percent of chief executive officer positions at companies on the S&P 500 list, which further highlights the disparity between men and women at work. Those disparities extend also to marginalized groups defined by ethnicity, gender identification, or educational background. Even women with college degrees don't make as much as male counterparts.

But the times, they may be a-changin'. Women in the #MeToo era are “woke” and fighting back against injustices and social disparities everywhere, especially in the workplace. Simply put, women are finished being stereotyped as second-class citizens and are striving to get paid, get promoted, and get their goals accomplished—and they're ready to help other women do the same.

“We need to get away from social stereotypes,” said Yummi Karma Director of Communications Alysia Sofios. “The idea that women are too emotional and prone to self-sabotage in any situation, be it business dealings or personal relationships, is false. I think there's truth to the idea that any minority in an executive position puts a lot of pressure on herself to set a good example and to really ‘make it.’ Luckily, so many women in cannabis, ourselves [at Yummi Karma] included, are not only making it but also having a great time doing it.”

An early cannabis product manufacturer located in Southern California, Yummi Karma has an all-female executive team. Sisters Krystal and Chelsea Kitahara founded the company. Yummi Karma edibles and tinctures, as well as infused cosmetics from the popular High Gorgeous skincare line, are developed and marketed primarily for females—a lucrative and growing cannabis consumer demographic.

“It is very important for us to network and surround ourselves with all people who want to move toward diversity and empowerment in our industry—and that includes women *and* men,” Sofios said. Prior to her role at Yummi Karma, she was a local television news reporter in central California, as well as an author. “With so many successful women making such an impact as entrepreneurs in all businesses, we have proven we are equal.

“As a company, we have noticed less of a separation in opportunities, especially in the past year,” she added. “You have to credit the #MeToo movement and all of



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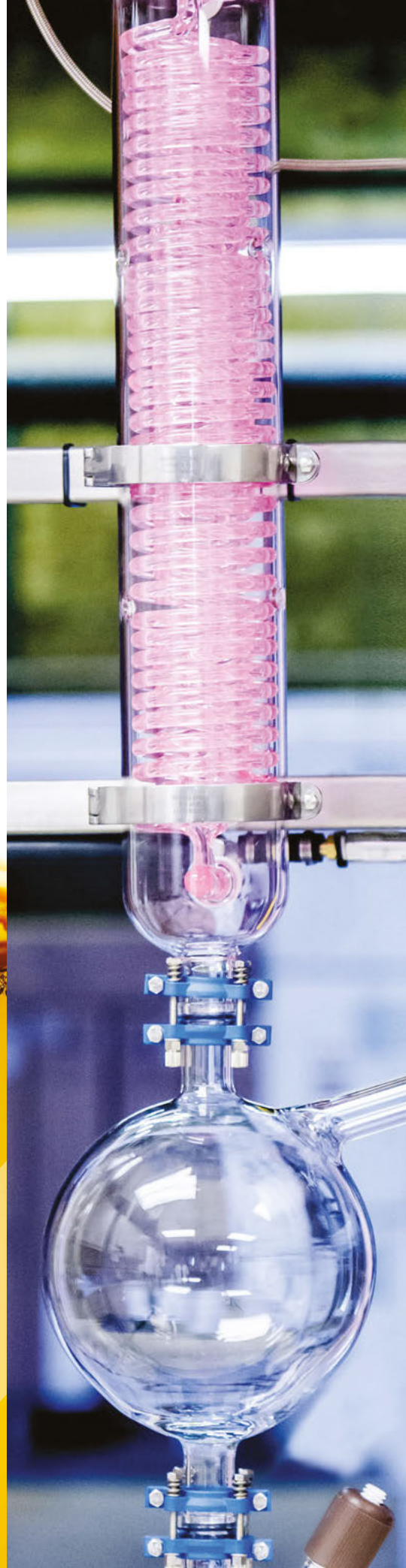


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Members of Illinois Women in Cannabis

the brave women who have started this dialogue. It has made a profound impact in every industry, including ours.”

According to all the women we spoke with, outdated beliefs need to be replaced by a work culture that allows women to embrace roles as entrepreneurs, executives, thought leaders, innovators, change agents, policymakers, shot-callers, and eventual industry titans. And maybe there needs to be estrogen-infused versions of the Old Boys Club established to make sure that happens. Maybe the time has come.

Who's your mama?

As a successful female executive in the cannabis industry, Sofios strikes a positive tone, which has been echoed in the media as cannabis is heralded as the next long-awaited billion-dollar industry.

All indications point to cannabis powering a global green rush with room for everyone, maybe especially those left behind by traditional industries. It's also important to point out that cannabis is one of the first industries to be birthed at a time when women finally are able to get in on the ground floor as owners and operators.

Industry women want to make sure the playing field stays level, but as the industry expands, some feel male domination is creeping in, despite numerous positive media reports that portray cannabis as a utopia of workplace equality. It may be closer to reality to say the potential is there, but careful cultivation will be required to make sure the industry lives up to the promise.

“Right now, I think men have an advantage when it comes to ownership because they are more likely to be able to use their networks to raise the substantial amount of money needed to fund a cannabis business,” said Dina Rollman, founder of trade organization Illinois Women in Cannabis.

“I think it is a level playing field when it comes to opportunities for executive-level positions, and companies would be wise to take advantage of the big pool of highly qualified women ready to lead cannabis companies,” she added.

The not-for-profit was established in 2014 with the intention of bringing support and resources to female entrepreneurs in Illinois, as well as professionals from other industries who want to work with or in the state's medical cannabis industry. Medical cannabis has been legal in Illinois since 2014, and the state is home to nearly 22,000 registered patients.

“Women have been very interested in the professional opportunities legalized medical cannabis has provided in Illinois,” Rollman said. “This is particularly true for attorneys, accountants, physicians, marketing executives, and other professionals who see entirely new avenues for business development. They are quickly becoming the cannabis experts in their respective fields.

“Our members come from a wide variety of backgrounds, so we are seeing diversity in their paths,” she added. “Many women are interested in gaining cannabis businesses as clients for their existing businesses: marketing, legal, accounting, etc. Many

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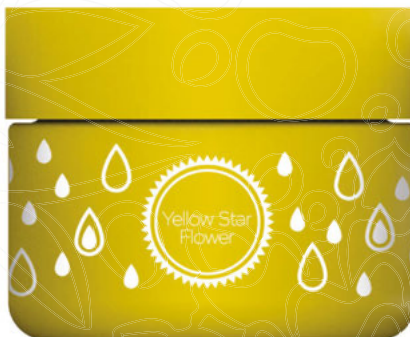
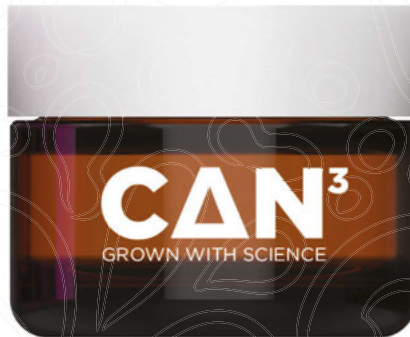
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The Commune in Portland, Oregon, home of The Initiative women's business incubator.

women dream of starting their own edibles business or an educational not-for-profit. Still others want to work at the dispensaries so they can help patients directly.”

In April, state officials reported Illinois had added 39,000 jobs over the past year and unemployment rates were the lowest they have been since 2007.

The Initiative

In Oregon, industry attorney Amy Margolis is one of the women who noticed the elephant in the room. During a Marijuana Business Conference & Expo event in Las Vegas *she* was the pink elephant, so to speak—the only woman in a room full of men.

“It’s always such a fun event, but as these conferences have gotten bigger, we have started seeing few women entrepreneurs attending,” Margolis said. “I went to a party one of the evenings, and I looked and realized out of the fifty or so people in the room that I was, in fact, the only woman there. The next day, I hosted a meeting in my hotel room with a number of Oregon brands and industry colleagues, and at the end I commented, ‘Next time, I would like you to make sure that we have at least one female decision-maker in the room.’”

A former criminal defense attorney, Margolis transitioned to administrative and business law in the cannabis space, founding the nonprofit trade organization Oregon Cannabis Association in 2014. She currently serves as executive director.

“That was really confounding to people who were present [at the hotel-room meeting],” Margolis said. “They wanted to have a female decision-maker, but

there were not enough women on anybody’s leadership team. I thought it was time to do something. So, out of that, The Initiative was born.”

Founded by Margolis, The Initiative is a newly established, Portland-based business accelerator for female entrepreneurs and female-owned small businesses in the cannabis space. The entity arose from her belief conversations about female participation in the industry don’t help women without developing coordinated resources, energy, and funding.

“I’m willing to say out loud that I do not think this is a level playing field,” she said. “I think we’ve engaged in some very wishful thinking around women’s place in this industry, and there have been a lot of women who have done wonderful and amazing things to try to make this space more accessible and support the women who are leaders and entrepreneurs. But it is certainly not a level playing field, and it never really has been.

“Cannabis has always been a male dominated-space,” she continued. “The more we see traditional capital integrate into the space as a primary funding source, [the more] we know they bring the same gender bias to this industry that’s demonstrated everywhere [else]. And the more we see traditional businesspeople come in, the more we’re going to see the same sort of gender struggles that exist in every other industry. We know when we look at gender bias and funding; we know when we look at deal flow and women and funding; we know when we look at the capital deployed to women; we know women don’t have those opportunities.

“

THE WORLD HEALTH ORGANIZATION ESTIMATES THAT, IF CHANGE CONTINUES AT THE CURRENT RATE, THE GLOBAL GENDER PAY GAP WON'T CLOSE FOR ANOTHER 217 YEARS. WORLDWIDE, PAY INEQUALITY HOVERS AROUND 23 PERCENT.

“It’s the way the venture capital system seems to operate, and those inherent gender biases that are ingrained in people,” Margolis argued. “We can’t change that rapidly enough, but we can curate investors, educators, and mentors who have made a conscious decision to prioritize funding women.”

Headquartered in its own beautiful event/workspace called The Commune, The Initiative offers women networking and educational events, leadership and executive training, and an in-class accelerator for female-based product businesses, which is the core program.

“We will begin accepting applications for the accelerator program on September 1,” Margolis said. “You do not have to be from Oregon, and if you are from out of state and interested in participating, we’re happy to help—not pay for, but help with housing resources and organize travel. The idea is to bring together the strongest and best and most ambitious and enthusiastic businesses we can. So, we’re happy to take innovators from all over the country to participate.”

Bringing strong, ambitious women together is a core concept for all the female-targeted trade groups and organizations, because the networks being built will be the infrastructure for future female success.

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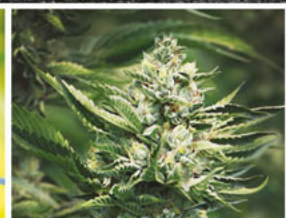
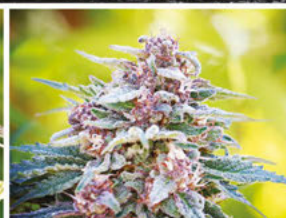


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Illinois Women in Cannabis networking mixer.

"I have found women really have struggled to locate good, strong mentors," Margolis said. "And so, part of our program is going to be making sure the women who go through it have a great mentor who can provide that kind of ongoing support. In the process of building the accelerator program, I've found some great mentors who I can call up, like Emily Paxhia [managing director at Poseidon Asset Management], and say, 'Hey, I need to talk through the way we're structuring this investment. I need to talk through the way we're bringing in money for something.'"

"But we're not just going to talk about what a pitch deck should look like," she continued. "You're going to sit here and do that with us, and then we're going to refine it and refine it and refine it."

Eight participants selected for The Initiative's accelerator program also will receive intensive training in securing funding, advice about marketing and branding, and access to expertise in many areas including finance, legal, business development, and distribution strategy. They will meet with industry decision-makers, investors, and funding sources.

"It is true that women struggle to raise money—sometimes because they don't have the skills; a lot of times because they don't have access to people with money or wealth or [they don't] know how to find those people, and also because they find the fundraising process intimidating," Margolis said.

Most of all, she said, women should feel confident in their own abilities and the abilities of their peers if they need help reaching goals or adding to their skill set. A strong support squad of like-minded women will have that covered.

"Once you've met the other women who are working in this space, once you feel like you do have some collaborators and connections, this is the deep-down immersive learning," she said. "Now you've got the support structure, and now we're going to take you and give you the skills and the funding you need to succeed."

Sisters are doing it for themselves

"I am very clear in my mind that we just have to run faster. We have to try harder, and we have to be twice as motivated to get the same results," Margolis said. "And by learning faster and doing more, we will get more women who are involved in the venture capital world. We'll get more wealthy women who will then pass that information down."

With seventeen years of legal experience in cannabis and corporations, her determination is palpable. The energy with which Margolis and other women's advocates are buzzing is starting to resonate as more nonprofit programs, networking retreats, online social platforms, and incubators expand in legal states. In July, nonprofit trade organization Small Business Majority launched a new cannabis business incubator, Women's Entrepreneurship Program.

“


INGENUITY ISN'T GENDER
RESTRICTIVE, AND
WE ARE SEEING MORE
OPPORTUNITIES FOR WOMEN
IN THE CANNABIS INDUSTRY.

—C.E. Hutton, cannabis business development firm

“This new program is vital because women are starting businesses in California at a rapid pace, but the resources these entrepreneurs need to succeed have not kept up with demand,” the organization stated when revealing the initiative.

Minority- and female-focused cannabis business development firm C.E. Hutton, based in Denver, addressed funding for female entrepreneurs in a June post on its website.

“In the modern day, it pays to work smarter, not harder,” the post advised. “You don’t have to do everything yourself; business incubators are there to help with your startup and provide resources you may not have access to on your own. Being able to communicate your plans to contribute to the industry in a meaningful way is key to successfully raising capital, but finding the right platform to pitch your ideas is what will carry you through your financial goals.

“The key point to take away from all this is to be aware the cannabis industry is still malleable and going through constant evolution,” the post continued. “Ingenuity isn’t gender restrictive, and we are seeing more opportunities for women in the cannabis industry.” 



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Strength in Numbers

Trade organizations, incubators like The Initiative, and networking groups can be rich and enriching resources for eager entrepreneurs and newbies trying to break into any business. Especially in the cannabis industry, there are several very active organizations working to help women get a foothold, kick in the door, and leave a well-heeled footprint in the industry. Women and other interested individuals can check out these groups for various benefits, including meeting mentors, finding funding, ongoing education, valuable discounts—and, most importantly, a network of supportive friends and colleagues who can help you work it like a boss, lady.



CANNABIS WOMEN'S ALLIANCE

Washington-state-based Cannabis Women's Alliance offers women-only education and programming for industry newcomers, professionals, and business owners. Since 2014, the group has offered a long list of events

while supporting charities and causes including Washington Hempfest, Washington Kids in Transition, Cannabis Freedom March, Stewardship Partners, Judy Hoff Foundation, Pink Gene Foundation, and First Harvest. As an industry advocate, CWA has targeted local female lawmakers for lobbying in addition to promoting pro-cannabis legislation by supporting progressive candidates.

CannabisWomensAlliance.com



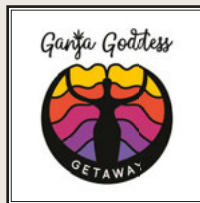
ELLEMENTA

With more than thirty local chapters in the U.S. and Canada, Ellementa provides women with expert information about cannabis, health and well-being, and women-specific issues. The group employs an online

membership platform and local "Gatherings" where cannabis-friendly women may connect.

The organization offers some intriguing opportunities for companies and entrepreneurs promoting women-centric products. For members who purchase passes, Ellementa real-world events offer fun ways to meet like-minded women, hear about the latest trends, and try new products. The website is chock-full of product reviews, education, and articles written by and for women. Interested individuals may also become local Gathering leaders.

Ellementa.com



GANJA GODDESS GETAWAY

According to a Ganja Goddess statement describing the members-only network, "What started out as a cannabis event for women immediately grew into something more: It grew into a community; even more, it grew into a

tribe. And we soon found it was this sense of tribal community, this sacred space for personal transformation, that we most wanted to nourish."

For industry women seeking the tribe vibe, membership in Ganja Goddess Getaway offers opportunities to attend free, local SisterSeshSundays events, receive exclusive invitations to GGG retreats hosted in various California locations, and get access to the group's private, members-only online network. The GGG Five High Standards are "self-love, inclusivity, empathy, mindfulness, and good fun."

GanjaGoddessGetaway.com



HOOD INCUBATOR

Founded in 2017 in Oakland, California, Hood Incubator is a community-based advocacy organization committed to encouraging and empowering the participation of people of color in the legal cannabis industry. According

to the group's website, membership has grown to more than 2,000 individuals nationwide, and HI has enabled ten entrepreneurs of color to participate in the organization's cannabis business accelerator. Hood Incubator also works with local legislators, the California Bureau of Cannabis Control, and California's Cannabis Equity Program to provide resources and support for those who have been directly affected by outdated cannabis legislation and the War on Drugs. The advocacy group has won several awards, including a *San Francisco Chronicle* 2018 GreenState Cannabis Excellence Award.

HoodIncubator.org



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INDUSTRY POWER WOMEN

Though the word “cannabis” isn’t specifically mentioned, the organization’s website states “Our goal is to successfully represent a fully diverse group of women business owners across all spectrums

of industry: retail, media, cultivation, advocacy, community organization...” The group seeks to introduce vetted cannabis entrepreneurs and businesses to sources for funding, investment, media relations, branding, and marketing. Co-founder Cynthia Salarizadeh has said the group was founded in response to the lack of venture capital available for female-owned and operated businesses. While IPW’s emphasis is on women, the group supports financial empowerment for diverse cannabis entrepreneurs.

IndustryPowerWomen.com

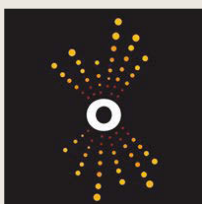


NORML WOMEN'S ALLIANCE

The mother of all drug policy reform organizations, NORML has been around as long as the modern feminist movement and now may have come full circle in the era of increasing marijuana legalization and the #MeToo movement. NORML knows there’s great strength in its female membership, which includes not only industry professionals but also social and legal advocates, members of the public, healthcare providers, patients, and—maybe most formidable—patients’ moms. Anyone actively interested in seeing an end to federal prohibition should consider membership.

According to the organization, “The NORML Women’s Alliance seeks to replace a failed, tax-coffer-draining and child-endangering prohibition of cannabis with functional, tax-producing, and youth-friendly cannabis policies consisting of legal and social controls that are not at all dissimilar to our existing, common-sense, and ever-evolving alcohol policies.”

NORMLWomensAlliance.org



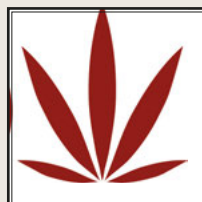
SUPERNOVA WOMEN

Seeking opportunities for women of color and other diverse community members, Supernova Women was founded in 2015 to “foster community empowerment through holistic education, advocacy training, and skills

acquisition,” as well as to function as an advocate for diversity and support opportunities for members of marginalized social groups, especially women. The organization offers three programs, including cannabis business workshops,

ex-offender advocacy and education, and the Shades of Green series, which “addresses the clear need for involvement of communities of color in the legislative efforts regarding cannabis and education on how to participate in the cannabis market being created in attendees’ home jurisdictions.”

SupernovaWomen.com



WOMEN GROW

Founded in Denver in 2014 by Jane West, Jazmin Huff, and Julie Batkiewicz, Women Grow’s mission is to ensure cannabis is the “first female-led billion-dollar industry.”

With thirty-five chapters in cities throughout the U.S. and Canada, Women Grow is the industry’s largest private trade organization. Members may access local monthly events, as well as the organization’s annual leadership summit. Numerous industry entities sponsor the membership organization, and female owners, executives, and professionals fill the membership roster locally and across North America. Motto: “To connect, inspire, educate, and empower.”

WomenGrow.com



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DUE DILIGENCE COUNTS

Especially in the cannabis industry, partnerships, acquisitions, and investment require thorough background research.

BY DANA LEIGH CISNEROS, ESQ., OF CANNABIS CORPORATE LAW FIRM

THE CANNABIS INDUSTRY has grown accustomed to backroom deals, evading documentation, and handshake-clad commitments. With the onset of state-specific legalization and an eye toward full federal acceptance in the next five years, cannabis businesses need to get their house in order if they are going to have any chance of standing up to, merging with, or being acquired by larger corporations. In the ever-changing legal landscape of commercial cannabis law and regulation, one thing remains constant: the need for due diligence from the outset. We typically encourage our clients to use letters of intent to outline the parameters when negotiating new business deals to ensure all parties are aware of expectations from the start.

KNOW THE PARTIES AT THE TABLE

Do you ever truly know someone? One of life's great mysteries. Generally speaking, people are who they present themselves to be. When we are talking about cannabis, the government's concern typically comes down to criminal history and moral character (sort of). As it turns out, these are the primary reasons regulating authorities—state and local—tend to deny commercial cannabis applicants. Accordingly, it is imperative you know the company you keep.

To protect against unexpected surprises, when entering into a transaction, partnership, operating agreement, shareholder agreement, strategic alliance, venture capital deal—whatever the form—ask for a background check and credit report. Individuals easily can request their own LiveScan criminal records reports and credit reports. Ask the individuals involved to do exactly that and then make the disclosure before sealing the deal.

Obviously, all of this is private information and proper protections or non-disclosure agreements should be in place. However, if you are investing your savings or are about to engage in activity that could be criminal without proper licensing, it is best to confront any potential issues head-on.

Credit plays an important role. What if the individual you have been dealing with claims to have \$10 million in the bank and lives the lifestyle to prove it, yet, when credit is examined, everything is leased, nothing is owned; debt is significant; and there is a substantial history of bankruptcy and defaulted credit lines? Is this the person you want running your company and having access to company accounts? What happens when the business needs funding and the owners are asked to execute personal guarantees? Three of four owners may have assets, while the other has only debt and nothing to pledge. Lack of assets and established credit history are unattractive to lenders and may cost the business in the long run through increased interest rates or draconian financing terms.

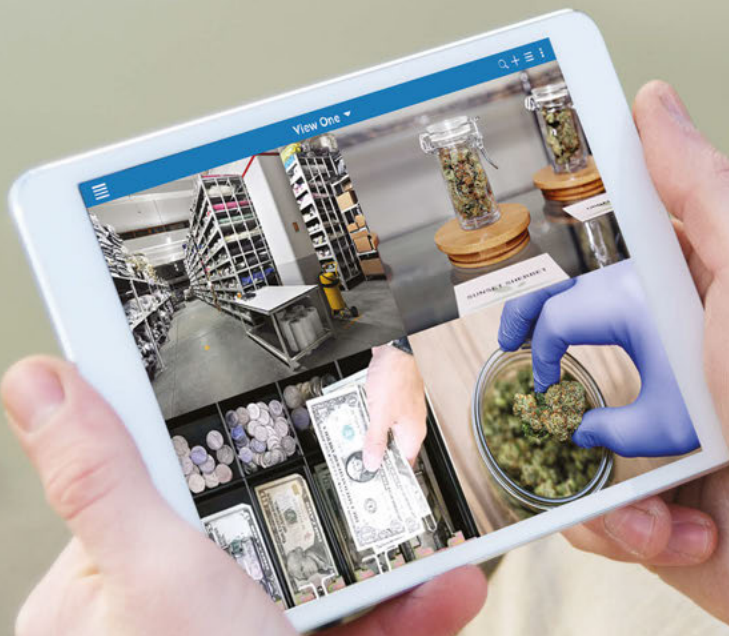
None of this is to say that only the very wealthy (on paper) with substantial assets should be considered strong prospects. Nevertheless, you certainly should be aware of your potential partners' true financial fitness before entering any business transaction or agreement.

Another issue that often arises, especially in the cannabis space, is the "off-the-books" investor or owner. While we discourage this sort of arrangement, in truth it is fairly common. If there are people participating in the business but they are not legally or technically part of the company, it is important to understand what agreements exist with them. Does that person expect a share of distributions from the company? Will that person be participating in the management or control of the business or some aspect of it?

In California, yes to either of those questions likely renders that person an "owner" or a financial interest holder under the state's cannabis laws. This can be troublesome for licensing purposes, especially if the reason the person is not on the books is a criminal history. We lawyers

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have tools for dealing with and protecting against these issues, but it is far better to address the matter while in the early stages of a deal.

As for criminal convictions, there are only a few primary areas of true concern, at least in California: trafficking narcotics, violent felonies, and crimes involving children. For civil matters, regulators are concerned about acts of moral turpitude, meaning anything that reflects poorly on your veracity or truthfulness in business dealings. In California, this essentially comes down to unfair business practices (Business & Professions Code §17200 et seq.), fraud, embezzlement, or extortion. You also should be aware that expungements and dismissals under most circumstances still must be disclosed on cannabis applications in California; outside California, check your state-specific laws for confirmation.

KNOW THE COMPANY HISTORY

Recycling old business entities is something we see quite often. Typically, this happens where one of the parties to a business deal has an old corporation or limited liability company that essentially functions as a shell. These companies usually are either left over from a former business line that no longer operates or has distributed all assets out of the company, or a legal entity formed for a specific purpose that never materialized. Either way, if you are not the person who formed the entity, it is important to examine the entity's history closely.

At a minimum, you need to examine the stock ledger, capital sheet, partnership list, and any other document recording every person who ever had an ownership interest in the company. The last thing you want to happen to your million-dollar investment is to have some third party you have never heard of come out of nowhere and demand distribution because they were never properly and legally removed from the company. This can create significant issues with distributions, tax filings, voting validity, and financing—a whole lot of hassle for the nominal cost of forming a new business entity. If there are lingering owners or questions about ownership, it is best to start fresh.

You also want to review the history of filings with the secretary of state, department of corporations, or whatever authority oversees business entities in your state. Many states make those records available online for free or at a nominal cost. After making a formal records request, expect to wait two weeks to a month for documents to be returned by the regulating agency.

You also need to review documents that are not filed with state regulators, such as bylaws, shareholder agreements, partnership agreements, and operating agreements, which are the most common governing documents for businesses entities, depending on the type of business. These governing documents dictate how the business is operated, how and when distributions are made, what events may trigger dissolution, establish voting rights and procedures, and generally describe how the business is managed and by whom. If you are uncomfortable with any of the terms, you absolutely should negotiate with your future partners to set forth operational standards with which everyone is comfortable.


Subscription agreements also are extremely important.

Subscription agreements are contracts that allow new parties to join the company: an agreement whereby the company promises to issue equity or ownership interest on established terms. Subscription agreements typically require the new owner or investor to agree to be bound by the governing documents and often contain restrictions on transfer as well as eligibility for becoming an owner (shareholder, member, partner etc.). These agreements also often contain tag-along rights entitling owners to sell their interest on the same terms as other owners under certain circumstances.

Make sure to assess securities registration requirements. States vary with respect to registration exemptions. The Securities and Exchange Commission regulates securities on a federal level. The SEC exempts certain offerings from registration, such as private offerings to less than thirty-five sophisticated, but non-accredited, investors; offerings that seek a total investment under a threshold amount; and intrastate offerings. As an aside, the SEC also regulates capital raised through crowdfunding. The SEC's website provides guidance about potential exemptions from registration, but it is best to seek the advice of an attorney before making a decision.

When it comes to financials and tax returns, audited financials are always best. Understandably, many businesses do not have formal accounting practices or financials to provide, especially financials audited by an independent third party. However, there is no reason an existing operation should not have some method of tracking and projecting earnings before interest, taxes, and amortization (EBITA), which reflects the company's potential profitability, expenses, assets, and liabilities. Startups should have a firm grasp on the cost to carry them through first-year operations, as well as tax implications. Be aware of and consider profit margins carefully.

Proper budgeting also is of paramount importance, as money management can make or break a startup. Cannabis business owners should ensure items such as permit (local) and licensing (state) fees, employee background checks, workers compensation and insurance expenses, raw materials, equipment, rents or mortgages, utilities, and transportation costs are accounted for—and more importantly, included in any budget or pro forma the company provides. Understated budgets can cause businesses owned by a small group of friends and investors to look to predatory lenders seeking significant gains from vulnerable companies trying to enter the market or sustain their existing operations in more costly, highly regulated markets. Take time to consider your options carefully.

Many people are looking to jump into the “green rush,” but sound investing in startups and new partnerships takes time and careful consideration. 



DANA LEIGH CISNEROS, ESQ., focuses on real estate, contract, commercial, business, and corporate law. She uses knowledge and experience acquired over more than a decade to further her clients' interests and avoid complicated legal and criminal issues in the complex cannabis industry.
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HARD GOODS

FIFTY SHADES OF GREEN: COOKING WITH CANNABIS

Herbalist and natural healer Deborah Champlin gives a crash course in cannabis, including weed's medicinal properties, how to prepare it for ingestion, and how to create therapeutic doses. The book offers details about weights, measures, tools, and equipment needed to make elixirs and concentrates.

AMAZON.COM



OTTO

The world's first "smart milling machine," OTTO by banana bros. transforms bud to joint in mere seconds. Able to grind and pack 20-30 joints per charge, the device automatically and evenly fills cones utilizing a proprietary SMART grinding technology that results in an even burn and superior draw. Distributed by Greenlane.

BANANABROS.COM

HAUTE SMOKES

Vintage sophistication given a modern update, these elegant accessories evoke the art of smoking from a bygone era. Available in eight styles, including sterling silver and gold plate set with white sapphires, black diamonds, or turquoise gemstones, they fit most pre-rolls and standard joints.

HAUTESMOKES.COM



TCHECK 2

Using just a few drops of butter, coconut oil, olive oil, or alcohol, tCheck 2 allows average Joes to measure the potency of infusions, flower, and concentrates. The device returns results for infusions in 60 seconds; for flower and concentrates in about five minutes.

TCHECK.ME

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This discrete, reusable kit allows travelers and do-it-yourselfers to create a water pipe on the go from any plastic bottle. Comes in a waterproof, smell-proof carrying pouch; includes bowl, stem, and poker.

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BIGASSFANS.COM

MITICIDE GREEN

Safe, green, and compliant with California's Title 16, Miticide Green protects plants from mites, aphids, and thrips. The natural pesticide also protects the environment from harmful chemicals, residues, metals, petroleum products, and solvents while allowing cannabis plants to maintain THC levels. Kills insects on contact.

MITICIDEGREEN.COM

SK602GH LED GROW LIGHT

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SPECTRUMKINGLED.COM

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HYDROPONIC-RESEARCH.COM

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GreenBroz's Alchemist 215 and 420 are dry-sift, solvent-free trichome extractors designed to act as standalones or with the addition of pulverized dry ice. The 1.5-cubic-foot-capacity 215 can process up to six pounds of trim; the 2.5-cubic-foot-capacity 420 processes up to ten pounds of trim.

GREENBROZ.COM



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sugars to multiply, and natural interferences with scent and flavor to evaporate, resulting in a pure, distinguished profile and enhanced potency. Arizona only. HUXTONUSA.COM

GROWN ROGUE CONCENTRATES

This Clean Green Certified line meets stringent quality controls and produces a unique, intense high for seasoned connoisseurs and flavor gurus looking for exotic terpene profiles. The products are labeled by effect: Relax, Optimize, Groove, Uplift, and Energize. Oils, wax, shatter, and sugar; Oregon only. GROWNROGUE.COM

NOVIUM

Novium comprises novel, proprietary, compounded therapies derived through extensive cannabinoid pharmacology. Focused on specific, targeted terpenoid formulations that have a wide range of effects on varying illnesses and symptoms, the diverse product line includes transdermals, capsules, inhalers, vape cartridges, effervescent tablets, and topical formulations. California only. NOVIUMRX.COM



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Made from 100-percent real coconut water with no added sweeteners, colorings, or preservatives, Instant Coconut Mix is naturally loaded with electrolytes, vitamins, and minerals. Just add water for a refreshing glass of CBD-infused coconut water. Each serving contains 25mg micro-encapsulated CBD. OLEOLIFE.COM

SELECT PETS UNFLAVORED DROPS

Blending 100-percent-pure CBD oil extracted from whole-plant hemp with fractionated coconut oil reportedly maximizes the benefits of these drops for animal friends. Each 30ml bottle contains 750mg hemp oil. SELECTCBD.COM

HEMP & OLIVE BOTANICAL CBD BALM

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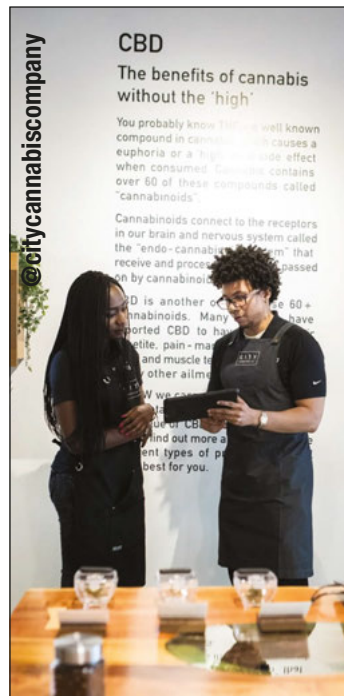
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Semi-solid at room temperature, Privy Peach Intimate Oil melts on contact with skin, helping to stimulate lubrication, increase circulation, and alleviate discomfort. Each 2ml single-use packet is dosed with 25mg full-spectrum CBD infused in organic virgin coconut oil. PRIVYPEACH.COM

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ASHLEY ROSS

brand ambassador for Hypur, recommends...

Vape

I really like **The Clear** (TheClearAz.com) because it's pure, potent, and solvent-free, which is very important. It was developed by scientists at Clear Concentrates. Next, I would have to say the **PAX 3** (PaxVapor.com), because it's the best of both worlds—I can vape flower or concentrate—and it's quite handsome.

CBD

CBD Wellness (CBDWellness.com) is amazing. The potency and quickness of relief is like magic. The company's CO₂ extraction is safe and on the cutting edge; the oil is pure with little to no processing. I like **Select CBD** (SelectCBD.com) too. The design is cool, and their lavender vape is perfect for puffing throughout the day. I'm such a sucker for lavender anything. They also make pet products.

Topical

I love **420 SkinCare's** (420-SkinCare.com) cherry vanilla soap and body butter. That combination makes my body feel like a happy noodle. I also use Arizona-based **iLava** (iLava.com) on my face because it's nice and light and it smells so good—and it's uniquely potent: 550 milligrams of THC and CBD oil mixed with exotic essential oil blends, including corsican helichrysum, mango, ginger, and blue tansy.

Edibles

Sublime's (SublimeAZ.com) lemon tea cakes are dangerously delicious. A big bonus: they don't taste medicated, but the potency is there big-time. The company also makes great topicals, flower, and concentrates. I also like **Uncle Herbs'** (UncleHerbsAZ.com) dried fruits. I'm already obsessed with dried fruits, so it's just an extra bonus that they're medicated.


Hemp

I really enjoy **HempWick** (HempWick.com) whenever I smoke bowls, because it tastes better. Plus, the wicks smell like camping, and that makes me happy. Then, of course, **Hempz** (Hempz.com) lotion. I've been using that for years. It smells amazing and makes my skin silky. They also make scrubs, washes, and sunless bronzers.

Flower

Anything indica. I really enjoy **Royal Choice Farms** (RoyalChoiceFarms.com). They produce beautiful flower that's organic and pesticide-free. Los Angeles-based **Jungle Boys** (TheJungleBoys.com) also produces absolutely gorgeous products that are rare and exotic. The moment you open the packaging the smell makes you smile, and the taste is a party in your mouth while the effects are the cherry on top. They also make dope clothing.

Accessories

I'm a joint kind of girl so I have **Raw** (Rawthentic.com) papers and tips on me at all times. They're natural with no chalk, so I don't have to worry about false white ash. The Clear's TWAX is another product I always have on deck. These concentrate papers give your high a boost and they're also made with Raw papers, so it's a win-win. 

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